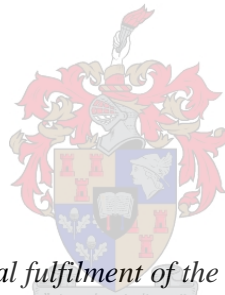


EFFECTIVENESS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEES IN FISCAL OVERSIGHT: A CASE STUDY OF SAKHISIZWE MUNICIPALITY

by
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*Thesis presented in partial fulfilment of the requirements for the degree
Masters in Public Administration in the Faculty of Management Science
at Stellenbosch University*

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December 2021

Declaration

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Abstract

In the local government sphere, the committee that plays the oversight role such as the PAC in the National Assembly and the Provincial Legislature is the Municipal Public Accounts Committee (MPAC). The MPAC was established in terms of section 79 of the Municipal Structures Act of 1998. The National Treasury and Department of Cooperative Governance and Traditional Affairs (COGTA) jointly developed guidelines establishing the MPACs in municipalities. Burger argues that “only the legislature has the authority to demand accountability from the executive authority” (2014:77).

When the Municipal Public Accounts Committees were introduced in municipalities it was a new phenomenon. Sakhisizwe Municipality is not different from other municipalities concerning how the introduction of Municipal Public Accounts Committees affected other municipalities. The introduction of this committee strengthens the oversight responsibility of the municipal Council over the executive and administration for them to be fully accountable for their actions in handling the public finances.

The MPAC only invites the management to attend the meetings of the MPAC leaving out the Executive Committee. The municipality is not making available the oversight report on Annual Report for the public to have access to it, by placing it on the municipal website and the public libraries. MPAC has no dedicated personnel to support the secretariat and research function. No training that was provided by the municipality to the MPAC members other than the one that was provided by SALGA.

For municipalities to strengthen the effectiveness of the MPAC they should consider appointing the chairperson from the ranks of the minority parties; this practice will ensure accountability and bias will be reduced. District forums and study groups by SALGA must be established in order to share the good practices amongst the municipalities.

Opsomming

Op plaaslike gebiede is die komitee wat toesig hou oor die PAC in die Nasionale Vergadering en die Provinsiale Wetgewer, die munisipale komitee vir openbare rekeninge. Die MPAC-komitee is ingestel ingevolge artikel 79 van die Wet op Munisipale Strukture van 1998. Die Nasionale Tesourie en die departement van Samewerkende Regering en Tradisionele Aangeleenthede (COGTA) het gesamentlik riglyne ontwikkel wat die MPAC's in munisipaliteite opstel. Burger voer aan dat “slegs die wetgewer die gesag het om aanspreeklikheid van die uitvoerende gesag te eis” (2014:77).

Toe die munisipale komitees vir openbare rekeninge in munisipaliteite ingestel is, was dit 'n nuwe verskynsel. Die munisipaliteit van Sakhisizwe verskil nie van ander munisipaliteite rakende die uitwerking van komitees vir munisipale openbare rekeninge wat ander munisipaliteite geraak het nie. Die instelling van hierdie komitee versterk die toesigverantwoordelikheid van die munisipale raad oor die uitvoerende gesag en administrasie sodat hulle ten volle aanspreeklik kan wees vir hul optrede in die hantering van die openbare finansies.

Die MPAC nooi die bestuur slegs uit om die vergaderings van die MPAC by te woon wat die Dagbestuur buite rekening laat. Die munisipaliteit stel nie die toesigverslag oor Jaarverslag beskikbaar vir die publiek om toegang daartoe te hê nie, deur dit op die munisipale webwerf en die openbare biblioteke te plaas. MPAC het geen toegewyde personeel om die sekretariaat en navorsingsfunksie te ondersteun nie. Geen opleiding wat deur die munisipaliteit aan die MPAC-lede verskaf is nie, behalwe die wat deur SALGA aangebied is.

Om munisipaliteite die doeltreffendheid van die MPAC te versterk, moet hulle dit oorweeg om die voorsitter uit die geledere van die minderheidspartye aan te stel; hierdie praktyk sal verseker dat aanspreeklikheid en partydigheid verminder word. Distriksforums en studiegroepe deur SALGA moet ingestel word om die goeie praktyke onder die munisipaliteite te deel.

Acknowledgements

I would like to thank my family for their continued support, and special thanks to my wife Noluvuyo and children for allowing me to use some of the time that I should have spent with them to focus on my studies.

Lots of appreciation to Prof. T. Ajam for guiding and advising me through this difficult moment. It was not an easy road but through your coaching I managed to complete this project.

Many thanks to the participants who participated in the project. Without you I would not have completed this task.

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ABBREVIATIONS

AO:	Accounting Officer
AC:	Audit Committee
AFS:	Annual Financial Statements
ANC:	African National Congress
APC:	African People's Convention
CODESA:	Convention of Democratic South Africa
COGTA:	Department of Cooperative Governance and Traditional Affairs
COPE:	Congress of the People
DA:	Democratic Alliance
DoRA	Division of Revenue Act
DPSA:	Department of Public Service and Administration
EXCO:	Executive Committee
GRAP	General Recognized Accounting Practice
KPA	Key Performance Areas
KPI	Key Performance Indicators
MAYCO:	Mayoral Committee
MEC:	Member of the Executive Committee
MFMA:	Municipal Finance Management Act No.56 of 2003
MSA:	Municipal Structures Act No.117 of 1998
MSA	Municipal Systems Act No. 32 of 2000
MMC:	Member of the Mayoral Committee
MPAC:	Municipal Public Accounts Committee
MPPM	Municipal Planning and Performance Management
NT:	National Treasury
PAC:	Public Accounts Committee
POE	Portfolio of Evidence
PPE	Property, Plant, and Equipment
PPPFA	Preferential Procurement Policy Framework Act
SALGA:	South African Local Government Association
SCOPA:	Standing Committee on Public Accounts Committee
SDBIP:	Service Delivery Budget Implementation Plan

CHAPTER 1 – INTRODUCTION AND RESEARCH PROBLEM

1.1. Introduction

The Convention for a Democratic South Africa (CODESA) negotiations resulted in the drafting of the Interim Constitution of the Republic of South Africa of 1993, with the first democratic polls held on 27 April 1994. In 1996 the country adopted the final Constitution which delineated three spheres of government, national, provincial, and local government. These spheres of government are interdependent, distinctive and inter-related and should work cooperatively with each other. The local government sphere consists of 257 municipalities, resulting from various demarcation processes since 1994.

The White Paper on Local Government defines developmental local government as “the central responsibility of municipalities to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives” (1998:23). Local government is the sphere that is closest to the people and it is where a large proportion of basic services are delivered. Botes (2011:1) argues that local government is “where a major portion of public funds are spent and where effective oversight over the spending of public funds should be in place”. Botes (2011:2) further states that the “Minister of Cooperative Governance and Traditional Affairs is convinced that the establishment of municipal oversight committees in all municipalities will go a long way towards improving the governance situation in municipalities”.

Financial planning and budgeting in all the spheres of government involve the public purse or funds. The public funds must not be wasted by any sphere of government when services are provided. Botes (2011:1) states that public accountability, financial accountability, and the oversight function are constitutional requirements. These constitutional requirements need to be taken into account whenever public funds are to be utilized.

The Auditor-General often maintains that the majority of municipalities in the country have no effective financial accountability. As a result, there is misuse and waste of public funds and a high number of municipalities with negative audit opinions. According to the Auditor-General (2019:20) “The audit outcomes of 27% of the municipalities regressed (of which 7% were from a clean audit status) and only 9% improved”. The contributing factors to these negative outcomes include the political instability and executives appointing senior management who do not hold the mandatory qualifications and skills to execute their responsibilities as well as the lack of oversight by the relevant bodies within the municipality.

1.2. Background of the study

The Public Accounts Committee (PAC) structures are internationally used as an oversight instrument in government. South Africa is using the same structures to conduct oversight over the executive in all three spheres of government. In the National Parliament and Provincial Legislatures, the PACs are named as the Standing Committee on Public Accounts (SCOPA) whilst in the municipalities the committees are known as the Municipal Public Accounts Committees (MPAC).

In March 2006 National Treasury introduced Circular 32 of the Municipal Finance Management Act No.56 of 2003 (MFMA) which deals with the oversight report. The circular provides that municipalities must establish oversight committees in terms of sections 33 and 79 of the Municipal Structures Act No. 117 of 1998. In the year 2011 Corporative Governance and National Treasury jointly developed the Guidelines for the Establishment of Municipal Public Accounts Committees which detail the functions of the MPAC. Furthermore, the National Treasury developed a document entitled the Guide and Toolkit for Municipal Public Accounts Committees. This document outlines the full details of what is expected of the committees in exercising their functions.

Sakhisizwe Municipality is a small municipality with nine (9) wards in the Chris Hani District Municipality within the Eastern Cape Province. Sakhisizwe Municipality consists of two (2) towns, Elliot and Cala (see Figure 1). This is a rural municipality that has a challenge in attracting skilled personnel to work in the municipality due to where it is located. The municipality adopted the Guidelines to Establish the Municipal

Public Accounts Committee on 30 August 2011. The MPAC was established with a maximum number of eight (8) non-executive councillors with five of them coming from the ruling party, the African National Congress (ANC). The remaining members come from the opposition parties: one from the Congress of the People (COPE), one from the Democratic Alliance (DA) as well as one from the African People's Convention (APC). The chairperson of the committee came from the ranks of the ruling party.



Figure 1: Sakhisizwe Municipality (2015:22)

Generally, in the National Assembly, all the chairpersons of the Standing Committee in Public Accounts (SCOPA) since the advent of democracy come from the ranks of the minority parties. This practice is to ensure that there is no prejudice and independence is promoted when exercising oversight. The South African Local Government Association (2011:8) argues that “the main purpose of the Municipal Public Accounts Committee is to exercise oversight over the executive functions of Council and to ensure good governance in a municipality”.

1.3. Problem statement

National Treasury together with the South African Local Government Association (SALGA) and the Department of Co-operative Governance developed guidelines on the establishment of the Municipal Accounts Committees to exercise the oversight function in municipalities. When the Municipal Public Accounts Committees were introduced in municipalities, it was a new phenomenon. Sakhisizwe Municipality is not

different from other municipalities concerning how the introduction of the Municipal Public Accounts Committees affected municipalities.

The Sakhisizwe Municipality in the past financial years from 2006 to 2010 received disclaimer audit opinions from the Auditor-General of South Africa. Only in 2010/2011, 2011/2012, and 2012/2013 financial years did the municipality receive a qualified audit opinion which means that there was an improvement. In 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018 the audit opinion was an unqualified audit opinion with findings and in 2018/2019 it regressed to a qualified audit opinion.

Although there is a significant improvement in terms of the audit outcomes from 2010 to date, the views of the Auditor-General in 2012/2013 need to be taken into account. The comments of the Auditor-General (2014:192) on the MFMA report are that “the senior leadership provided limited assurance, which directly affected the credibility of the information produced and the processes used, which also lessened the level of assurance provided by the Council and MPAC.” At the end of the financial year 2017/2018, the municipality did not submit the annual financial statements on time to the Auditor-General for audit. As a result the audit outcomes for 2018/2019, the municipality regressed.

When examining the website of the Sakhisizwe Municipality, there were no annual reports of the municipality although the reports should be placed on the website of the municipality for them to be accessible to the public. If the reports were made available, they would indicate the performance of the committee as the annual report of the municipality must contain an oversight report and an Auditor-General’s report. The oversight report indicates whether the annual report was adopted with or without reservations or rejected by the Council. Despite the requirement that the oversight report should be published together with the annual report, these reports were never published. There appears therefore to be evidence of non-compliance.

This non-disclosure of critical governance information for public scrutiny has prompted this study to investigate the effectiveness of the MPAC in fiscal oversight. Previous research studies have been conducted in the field of the MPAC but those studies did not cover the effectiveness of the Municipal Public Accounts Committees. The research

assesses the effectiveness of the Municipal Public Accounts Committee of Sakhisizwe Municipality in fiscal oversight.

1.4. Research questions

The research questions answered in this study are:

- To what extent is the Sakhisizwe Municipality Municipal Public Accounts Committee (MPAC) functional, and which factors support or detract from its effectiveness?
- What can be done to improve its effectiveness?

1.5. Objectives of the study

The objectives of this study were as follows:

- To identify from the relevant legislative framework the legislative requirements for MPAC performance and the factors which promote or impede their effectiveness.
- To evaluate whether the members of the committee understand what is required of them in terms of exercising fiscal oversight.
- To assess if there is any collaboration with the Internal Audit Unit and Audit Committee.
- To identify the shortcomings and strengths of the committee about exercising the oversight responsibility and opportunities for improvements.
- To assess the relevance of the committee resolutions and the extent to which there is a follow-up on its recommendations.

1.6. The relevance of the study

The introduction of the Municipal Public Accounts Committees is a new occurrence within the local government sphere, so it is important to investigate the effectiveness of these committees in exercising oversight responsibility in terms of financial

accountability. The MPAC is the structure that is delegated with the responsibility to exercise oversight on behalf of the Council, so it is important to assess the effectiveness of the committee to identify the shortcomings and suggest risk-mitigating factors to enhance its performance. Given the compliance burden on local government, it is important to conduct a study using Sakhisizwe Municipality to investigate if the committee is functional in performing its function as the law dictates. The introduction of this committee strengthens the oversight responsibility of the municipal Council over the executive and administration for them to be fully accountable for their actions in handling the public finances.

Throughout the country, there are service delivery protests that are taking place every day. Public trust in the governance of local municipalities has declined and one of the contributing reasons to these protests is the absence of oversight over the executive and management. Botes (2011:09) argues that the introduction of MPACs will ensure that the oversight and governance in municipalities are strengthened, which will result in proper “financial management, effective, efficient and economic use of public resources” towards service delivery. This will happen provided the councillors appointed or elected to the MPAC will not be biased against the executive and administration. The presence of MPACs indeed is yielding positive results as the number of municipalities receiving a financially unqualified audit opinion with issues increased in the 2015/2016 financial year as per the Auditor-General 2017/18 report.

1.7. Research design and methodology

This research study has analyzed the literature on Municipal Public Accounts Committees, financial accountability, and oversight, followed by the legislative framework applicable to the MPACs as an oversight body in the municipal Council. The international practices on the work of the Public Accounts Committees will be analyzed comparing it to how the MPACs in South Africa are functioning in exercising fiscal oversight on municipal financial resources.

Qualitative research methods were used in conducting this research. This methodological approach was selected based on its appropriateness to interpret and appreciate human and organisational behaviour. Welman, Kruger and Mitchell .

(2009:15) suggest that “qualitative research deals with subjective data that are produced by the minds of respondents or interviewees, qualitative data presented in language instead of numbers”. The research was conducted using the case study method. A case study according to Babbie & Mouton (2018:640) “is an intensive investigation of a single unit. This unit can vary: from individual people, families, communities, social groups, organizations and institutions, events and countries”. The qualitative method assisted to understand the operations of the MPAC within the municipality.

Welman et al. (2009:2) argue that the study is the procedure that comprises the gathering of scientific knowledge through utilizing numerous objectives, approaches, and processes. These authors explain that the technique incorporates processes for illustrating samples, evaluating variables, gathering data, and examining this data. Xego cited Weinberg who “believes that the study of research methods is simply the study of what we are doing, or should be doing when we discover.” Babbie and Mouton (2018:425) define the research design as a “plan or structural framework of how you intend conducting the research process to solve the research problem”.

MPACs are a relatively recent phenomenon, there is very little data and information on how they actually operate, as opposed to the legislative or normative requirements. As a result quantitative analysis is not possible at this stage, and the exploratory nature of the study makes qualitative methodologies most appropriate. Moreover, there are many different stakeholders with different perspectives so qualitative approaches lend themselves to a deeper understanding of contextual factors and richer analysis.

1.7.1. Ethical considerations

Before the collection of the data from the participants, it is a requirement to obtain ethical clearance from the Research Ethics Committee (REC) and approval was also required from the municipality to conduct the study. Fetterman in Miso (2011:49) contends that there are basic ethical principles that must be considered in research which are as follows: consent, trustworthiness, faith, secrecy, mutuality, and hard work. Babbie and Mouton (2018:528) assert that a scholar desiring to acquire institutional research backing must have his or her research proposal accepted by the ethics

committee who appraises all study proposals including human subjects to safeguard their rights and interests.

The identified participants are normally required to complete an informed consent form where it will be elucidated that their participation in the study is voluntary. Neuman in De Vos et al. (2008:59) argues that no person must be forced to partake in a research study, “because participation must always be voluntary”. According to Babbie and Mouton (2018:521), “a major tenet of medical research ethics is that experimental participation must be voluntary. The same norm applies to social research. No one should be forced to participate”. The participants of this study were not harmed, and the completed questionnaires will be kept confidential.

1.7.2. Participants

The following respondents were interviewed at Sakhisizwe Municipality:

- The three current members of the MPAC from diverse political parties,
- The current chairperson of the MPAC,
- Three councillors who are non-members of the MPAC,
- Former chairperson of the MPAC,
- Three former members of the MPAC,
- Chief Financial Officer,
- Chairperson of the Audit Committee,
- Manager: Internal Audit Unit,
- Strategic Manager,
- Municipal Manager,
- The Speaker, and
- The Mayor.

Recruitment of the participants was conducted in collaboration with the Office of the Municipal Manager for them to provide the contact details (email addresses) of the participants. Participants were given a consent letter to participate in the research with the declaration of the consent form stating that they would have to complete and return it. In the consent letter it was clearly stated that participation in the study was voluntary and the participants could withdraw at any time and there would be no consequences. The respondents provided insight into the activities and the work of the committee,

whether the committee was functional or not as well as their understanding of the importance of the committee in exercising fiscal oversight.

1.7.3. Data collection and sources

De Vos (2008:272) advocates that when a researcher is conducting following the case study approach he or she must have the relevant knowledge of the literature of the field. To guarantee that the objects of the research were achieved the information was gathered from numerous sources.

Information was sourced from primary and secondary sources. A questionnaire was developed to gather the data from the former committee members, present committee members of the Sakhisizwe MPAC, and all the applicable role players who would provide an insight into how the committee functions in exercising the fiscal oversight in the municipality.

Secondary sources of data such as the annual reports, in-year reports, minutes, and other relevant documents were sourced from the municipality, the Auditor-General, and National Treasury websites. Annually the Auditor-General issues an Audit Report after conducting an audit on individual municipalities, and MFMA General Reports on the audit outcomes giving the full analysis of the state of affairs of municipalities in the Republic, which are made available to the public

The plan was to prepare the questionnaire and circulate it to all the participants for them to complete. Brynard & Hanekom in Ajam (2016:8) argue that “using self-administered questionnaires could in principle be quicker and cheaper, eliminating interviewer bias and preserving privacy and anonymity”. Ajam (2016:8) further argues that there is more likely to be a low response rate on self-administered questionnaires which could fail to capture required information compared to “face-to-face and telephonic interview”. . The participants in this study were allowed to use an additional clean page to provide additional information if the space provided on the questionnaire was inadequate.

1.7.4. Data analysis

As mentioned in the previous section, data was gathered through administering a questionnaire and secondary documentary sources. The questionnaire had five themes that were linked to the variables of the study. Participants were presented with questions where they had to rate them on a scale of one to five, where one would strongly disagree, two disagree, three agree, four strongly agree and five neutral. The ratings of the questions were analysed to get the views of the participants. If there were any additional comments provided, they were also taken into account. Reviewal of the secondary data with the results of the questionnaire was conducted and compared with the research questions. The themes of the questionnaire were linked to the literature and the research questions.

1.8. Theoretical concepts and their definitions

1.8.1. Audit committee

An audit committee is an autonomous advice-giving body that is tasked with the function to review the internal control systems, financial controls, and risk management of the institution. In municipalities, the audit committee is constituted in terms of section 166 of the Municipal Finance Management Act No. 56 of 2003.

1.8.2. Accountability

According to Ackerman cited by Hedger & Blick (2008:7), “accountability derives from the practical need to delegate certain tasks to others to distribute delivery of large and complex workloads. In turn, those entrusted with these delegated duties must be required after the fact to render and of their actions.” It is to hold one accountable for whether the work that has been delegated to him or her is being done properly or not. If the delegatee fails to perform such duties, the delegator may withdraw the duties delegated to the delegatee. In some instances, the delegates are misusing the powers or duties that have been delegated to them which may result in those functions being withdrawn, or the delegates charged with failing to exercise the duties delegated.

1.8.3. Oversight

Makhado et al. (2014:4) point out that oversight refers to an instrument taken to supervise the ‘financial and non-financial’ performance of the administration of the departments and state-owned entities. Furthermore, it involves supervision of the effective management of government departments by Members of Cabinet in quest of enhanced service delivery to all inhabitants of the country. APAC (2013:12) defines oversight as the analysis and assessment of the activities of those assigned with certain tasks or authorities to ensure that they are being discharged per the set policies and are being delivered as per the predetermined objectives. According to Madue (2013:44), “oversight is an important legislative means of ensuring that laws passed are implemented, that approved budgets are spent, and that the executive is held accountable following democratic principles”.

1.8.4. Integrated Development Plan (IDP)

Coetzee, Feldman, Huebner, Majozi, Patel and Rauch (2000:5) asserts that an Integrated Development Plan (IDP) is a vital tool that a municipality can approve to offer “vision, leadership and direction” for all those that have a part to play in the growth of a municipal area. Section 25(1) of the Municipal Systems Act, No. 32 of 2000 states that an IDP is an “inclusive and strategic plan for the development of the municipality which-

- a) Links, integrates, and co-ordinates plans and take into account proposals for the development of the municipality;
- b) aligns the resources and capacity of the municipality with the implementation of the plan;
- c) forms policy framework and the general basis on which annual budgets must be based;
- d) complies with the provisions of Chapter 5 of the Municipal Systems Act No. 32 of 2000, and
- e) is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of the Municipal Systems Act” RSA (2000:36)

According to Ijeoma, Nzewi and Sibanda (2013:306) an Integrated Development Plan is the strategic plan which aims to ensure that there is a participatory process in deciding the developmental priorities and service delivery of a municipality. The IDP of a municipality must take into account the developmental plans of other spheres of government within the municipal area where the development will take place.

1.8.5. Mayoral imbizo

A mayoral imbizo is a community meeting convened by the Mayor of a municipality to report back about the performance of the municipality as well as getting the inputs of the community on developmental issues.

1.8.6. Municipal manager

According to section 82 of the Municipal Structures Act, a municipal manager is the “head of administration and also the accounting officer for a municipality”.

1.8.7. Municipal Public Accounts Committee (MPAC)

A Municipal Public Accounts Committee is a municipal council committee appointed in terms of section 79 of the Municipal Structures Act No. 117 of 1998. This committee plays a similar role to the Standing Committee in Public Accounts (SCOPA) in Parliament and Provincial Legislatures but there are differences with regards to the powers and functions. An example of the aforementioned differences is the MPAC cannot subpoena persons to appear before it.

1.9. The structure of this research

This thesis consists of five chapters as follows:

- Chapter one deals with the background of the field that was researched and further outlines the problem statement and questions, objectives, research design and methodology.
- Chapter two puts into context the theoretical framework of the research. Several concepts are relevant to the study are defined, concepts such as oversight and accountability. The literature review deals with the introduction of the oversight committees (MPACs) in the local sphere and their importance in providing financial accountability and oversight.
- Chapter three outlines the legislative framework applicable to the local government sphere concerning oversight, financial accountability, unauthorized, irregular, fruitless, and wasteful expenditure.
- Chapter four will present a case study of Sakhisizwe Municipality with desktop research on the research questions as well as an analysis of the information collected. How has the municipality performed in the last five years or six years? What were the main audit findings? Were the findings resolved or did they recur? Who are the role players in the municipality?
- Chapter five documents the analysis of the responses from the participants and the findings of the research, states the conclusions and provides recommendations.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

After the advent of democracy, South Africa adopted a Constitution which makes provision for transparency. As a Constitutional state, the country has three arms of state: the legislature, executive, and judiciary. These arms of the state are independent of each other to ensure that checks and balances are in place. The legislature is mandated by the electorate to pass, review and repeal laws, pass the budget, and hold the executive accountable for all the decisions they are taking.

For the legislature to be effective in exercising its oversight responsibility various committees are established. One of the functions committees have to perform is ensuring financial oversight and accountability of the executive. According to Hedger & Blick (2008:5), “Public Accounts Committees (PAC) occupy an important place at the apex of legislatures’ analysis and oversight processes over the use of public resources by government departments and state entities.” Cooperative Governance and Traditional Affairs and National Treasury (2011:4), in the year 2011, tasked the municipalities with the mandate to form the Municipal Public Accounts Committees to have an oversight responsibility on behalf of Municipal Councils. The Municipal Public Accounts Committee is established in terms of section 79 of the Municipal Structures Act No. 117 of 1998. The details of how the committee should be established will be discussed in chapter three.

There are various mechanisms to exercise financial accountability and oversight in municipalities such as the MPAC, Audit Committee, Provincial Treasury, National Treasury, Municipal Council, Mayor or Executive Mayor, and the Auditor-General. Section 166 of the Municipal Finance Management Act No. 56 of 2003 provides that each municipality must have an operational Audit Committee (RSA, 2003:154). This study will be focusing on the investigation of the effectiveness of the MPAC in exercising fiscal oversight.

This chapter seeks to elucidate the following concepts: accountability, oversight, irregular expenditure, unauthorized expenditure, fruitless and wasteful expenditure as well as the Municipal Public Accounts Committee. These concepts will be put into context in a municipal perspective on how effective the Municipal Public Accounts Committees (MPAC) in exercising fiscal oversight and guide the development of the interview questionnaire.

2.2. What is accountability?

According to the SA Legislative Sector (2014:15), “accountability is the social relationship where an actor (an individual or an agency) feels an obligation to explain and justify his or her conduct to some significant other (the accountability forum, accountee, specific person or agency).” It is to hold one accountable for whether the work that has been delegated to him or her is being done properly or not. If the delegatee fails to perform such duties, the delegator may withdraw the duties delegated to the delegatee. In some instances, the delegates are misusing the powers or duties that have been delegated which may result in those delegated functions being withdrawn, or the delegates charged with failing to exercise the duties delegated to them.

Pauw, Woods, van der Linder, Fourie and Visser (2002:137) define accountability as “a legal obligation of the administrative authority report and reason on its functioning to other organs that have the right to take steps towards giving effect to the administrative authority’s responsibility”. Sahgal cited in Miso (2011:22) argues that “accountability is compulsory in a democracy as it is a price paid in exchange for the power and delegation of authority”.

According to Ackerman cited by Hedger & Blick (2008:7), “accountability derives from the practical need to delegate certain tasks to others to distribute delivery of large and complex workloads. In turn, those entrusted with these delegated duties must be required after the fact to render an account of their actions.” Hedger & Blick (2008:8) further refer to “accountability as a proactive process by which public officials inform about and justify their plans of action, their behavior, and results and are sanctioned accordingly”. Burger (2014:21) defines “accountability as the feature of governance

means the ability of society to hold the government responsible for their actions as undertaken through the combination of democratic, hierarchical, market and managerial accountability systems and micro-level organizational arrangements.”

Khalo (2013:560) asserts that accountability and oversight are the constitutional prerequisites in all the three levels of government. According to the Constitution of the Republic of South Africa section 152(2) the legislative and executive power is vested in Municipal Council in municipalities and the Council appoints the Municipal Public Accountc Committee and assigned it with the power to hold the officials and councillors accountable (RSA, 1996:74). In the event of failure to exercise this power effectively, the members of the legislature or Council can be punished at the polls. Residents through public meetings that are called by ward councillors can hold the councillors accountable for the decisions that are taken by the municipal Council. Waldt cited by Dalton-Brits & van Niekerk (2016:4) argues that accuntability can be understood as the responsibility to uncover, elucidate and substantiate the conduct and activities of public officials in the three spheres of government.

For the unadulterated exercise of accountability, separation of powers between the legislature and the executive needs to be clearly defined. In the case of a municipal Council, the legislative power and adminstrative power are conferred to the municipal Council.. Van Dijk cited in Xego (2014:14 states that “accountability means rendering account of the way public money is spent: for which purposes has it been spent and did this have the expected results?”. Miso (2011:23) argues that accountability is likely to advance the most values of budgetary responsibility such as genuineness, efficiency, and reasonableness. The White Paper on Local Government (1998:67) defines accountability as where the legislature is independent it holds the executive and administration accountable and promote discussions on policy matters and monitor the execution process.

Legislators or councillors are entrusted with the responsibility to ensure that the public funds are adequately and efficiently spent. Ijeoma et al. (2013:307) argue that “values of accountability, transparency, people-oriented and focused government, the principle of efficiency, effectiveness and economic use of resources are more significant in the local government sphere”. The Department of Cooperative Governance and Traditional

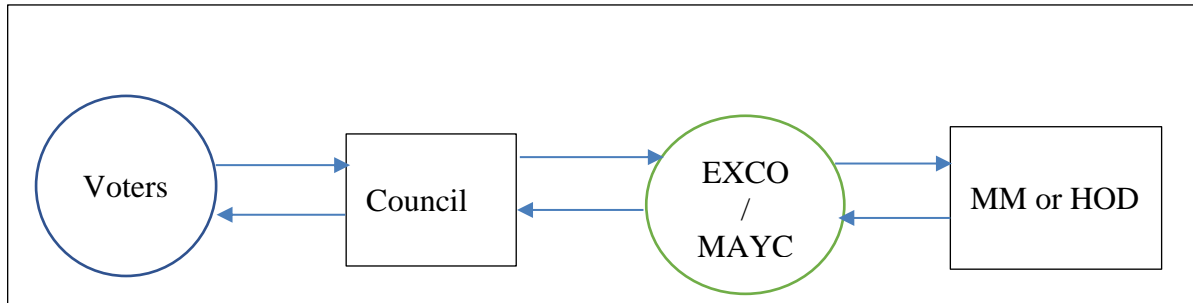
Affairs (2015:3) explains that the responsibility of councillors is “to ensure that all the employees of the municipality conduct themselves ethical, promoting good governance and strengthening the oversight on of the community. Hollis and Plokker in Burger (2014:23) assert that “accountability in a democracy has two elements: external (public) accountability and internal (hierarchical) accountability”. Price Waterhouse Coopers (PWC) (2016:2) argues that “good corporate governance requires an acknowledgment that an organization doesn’t operate in a vacuum, but is an integral part of society and therefore has accountability towards current and future stakeholders”. Accountability promotes good governance in a municipality or any other organisation.

Local government is the sphere of government closest to the voters which always accounts directly to the voters by holding meetings that are scheduled meetings of Council where the public is welcome to attend the open sections of the agenda quarterly. In the local government sphere, public accountability is exercised by inviting the community to participate in preparing the budget of the municipality by making inputs, participating in mayoral imbizos (community meetings or gatherings) where the Mayor reports back about the programmes the municipality has undertaken and where the annual report is taken to the community by the Council to get inputs on the performance of the prior year.

The MPAC is expected to hold its meetings quarterly to hold the executive and the administration accountable for the work they have performed in the previous quarter. The MPAC itself is held accountable by the Council where the reports of the committee are discussed and adopted or returned to be rectified or they can be rejected by the Council. Although the committee, through its chairperson, has to notify the Speaker that the committee has a report that it wants to table in Council, this does not mean that the Speaker of the Council can influence the findings of the MPAC. According to the Cooperative Governance and Traditional Affairs ((2016:13) no structure of the municipality can review the decisions of the MPAC other than the Council itself because the committee reports to the Council Co-operative Governance and National Treasury.

Council accounts for the voters, EXCO, or MAYCO accounts to the Municipal Council and the Municipal Manager (MM) & Managers Accountable to Manager accounts to EXCO or MAYCO (see Figure 2).

Figure 2: Chain of Accountability



Source: Murray & Nijzink cited by Botes (2011:15)

The chain of accountability is the relationship between the electorate, public representatives (legislatures) and the executive. According to the APAC (2012:85), the legislature has a responsibility to hold the executive accountable. The MPAC can invite the executive led by the Mayor and the administration led by the Municipal Manager to come and account for decisions they have taken. The APAC (2013:10) argues that there are four “key types of accountability in municipalities.” See Table 1.

Table 1: Key types of accountability in municipalities

<i>Political accountability</i>	<i>The councillors and management (MM and officials) of the municipality are accountable to the community.</i>
<i>An administrative accountability</i>	<i>The municipality must comply with all the legislations and guidelines that are in place.</i>
<i>Public financial accountability</i>	<i>The municipality must account for how the funds were spent to realize the Integrated Development Plan and budget adopted by the Council.</i>
<i>Performance accountability</i>	<i>The executive and administration must account through policy outcomes and results. This accountability is closely linked to financial accountability.</i>

(APAC 2013:11)

According to the APAC (2012:58) the Mayor and Municipal Manager of a municipality must table an annual report to the Council for them to discharge accountability by the executive and management for their performance in realizing the predetermined objectives (performance targets set before the start of the financial year) set by the Council. The political executive lead by the Mayor and administration executive lead by the MM are obliged to account to the Council and the community using various reporting mechanisms such as in-year reporting, audit report, annual report, etc. The MPAC needs to ensure that the municipality spends the money in a way that the community will benefit and also the community has to participate in the budgeting processes to input on how the money of the municipality is spent. National Treasury and Cooperative Governance and Traditional Affairs (2016:8) assert that the MPAC has been given the role to perform oversight over the executive, which is part of the Council. The oversight function is delegated to the committee in terms of section 129 of the MFMA (RSA, 2003:126).

2.2.1. Functions of accountability

According to the SA Legislative Sector (2014:73) the functions of accountability are as follows:

- “To enhance the integrity of public governance, to safeguard government against corruption, nepotism, abuse of power, and other forms of inappropriate behaviour.
- As an institutional arrangement to effect democratic control.
- To improve performance, which will foster institutional learning and service delivery.
- Concerning transparency, responsiveness, and answerability, to assure public confidence in government and bridge the gap between the governed and the government and ensure public confidence in the government.

To enable the public to judge the performance of the government by the giving account in public.”

2.2.2. Instruments of accountability in municipalities

There are several instruments of accountability that are introduced by local government legislation to enable the Council to exercise oversight over the executive and administration. The Municipal Finance Management Act No. 56 of 2003 (MFMA) determines that municipalities must table these instruments to the Council and they must be made public for inspection and comments on them. The instruments are as follows:

2.2.3. Annual report

Section 127 of the MFMA prescribes that the Mayor must submit the annual report to the Council after the end of the financial year within three months (RSA, 2003:122). The annual report records all the activities of the municipality (including municipal entities if there are any in the municipality) that were undertaken during the year under review and also compares the performance against the budget that was approved. Section 121(3) of the MFMA provides that the following information forms part of the annual report-

- “Annual performance report,
- Financial statements submitted to the Auditor-General,

- Auditor-General's report",
- Recommendations of the Audit Committee (RSA, 2003:121).

The annual financial statements that are contained in the annual report must be audited by the Auditor-General, as the independent auditor who provides the Council and the community with impartial assurance as to the reliability of those statements. The Audit Committee Report is a report examining the financial statements and performance management report of the institution and comments on them as required by section 21 of the MFMA. Khalo (2013:585) argues that when the report has been tabled in Council the Municipal Manager must make the report public and invite the public to comment on the report. The MPAC has a responsibility to consider the representations made by the public and scrutinize the report. The Accounting Officer and senior management, Mayor, and Mayoral Committee or Exco must be called to account for the content of the report in respect of their responsibilities.

According to the Cooperative Governance and Traditional Affairs and National Treasury (2016:14) the MPAC when examining the annual report, the meetings must be open to the public for the committee to get oral or written comments or submissions. Community meetings may be called to cater to residents who are illiterate for them to provide written inputs. The MPAC may co-opt people with expertise to assist the committee. Section 75 of the MFMA provides that the audited annual report must be posted on the municipal website for it to be accessible to the public. After considering the views of the public the MPAC must produce an oversight report and table it before the Council with recommendations (RSA, 2003:126).

2.2.4. Service Delivery and Budget Implementation Plan

The Republic of South Africa (2013:10) defines the Service Delivery Budget Implementation Plan (SDBIP) as "a detailed plan approved by the Mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality's delivery of municipal services and its annual budget". The SDBIP is developed by the Municipal Manager, submitted to the Mayor after fourteen (14) days of approval of the budget by Council and the Mayor must approve it within 28 days after the Council has approved the budget (RSA, 2003:80).

The MFMA prescribes that the SDBIP must be completed after the budget has been approved by the Council. The projected revenue and expenditure for each month, service delivery targets, and performance indicators for each quarter in the SDBIP must be loaded on the website of the municipality and put in public libraries for the public to have access to them. This plan is not required to be tabled in a Council meeting but it is an important tool of oversight. This document plays an important role in the performance management of the institution and senior management. The MPAC is expected to use this important document when conducting oversight as it outlines the targets that are in place in terms of the approved budget.

2.2.5. Monthly budget reports

According to section 71 of the MFMA, the Municipal Manager must submit the monthly budget reports to the Mayor not later than ten (10) working days after the end of the month. The following information must be included in the budget report:

- Actual revenue;
- Actual borrowings;
- Actual expenditure per vote;
- Actual capital expenditure per vote;
- Any allocation received; and
- Actual expenditure against the allocations.

If there are any material variances, management must provide explanations and outline corrective measures. These reports must be forwarded to Provincial Treasury and the National Treasury. Mayor is held accountable to report material concerns and variances to MEC (RSA: 2003:82).

2.2.6. Mid-year Budget and Performance Assessment Report

The Municipal Manager must assess the performance of the municipality during the first half of the year and the Municipal Manager must ensure that the report has been submitted to the Mayor, National Treasury, and Provincial Treasury on or before 25 January each year in compliance with section 72 of the MFMA. This report is used to exercise oversight over the administration. The Mid-year Budget and Performance

Assessment Report must include “the monthly statements, municipal service delivery performance, previous financial year’s annual report and progress, and the performance of the municipal entity” if the municipality has a municipal entity. The Municipal Manager must make recommendations for adjustments to the budget if they are necessary (National Treasury, 2015:28).

2.2.7. Performance agreements

Performance agreements are the important tools for accountability because of the targets that are agreed upon by the Mayor and Municipal Manager on the Service Delivery Budget Implementation Plan (SDBIP), and targets agreed upon by the Municipal Manager and senior managers accountable to the Municipal Manager. If the targets are not met, the Council may terminate the employment contract with one of these managers, as long as evidence is provided for poor performance. If senior management does not perform even the institution may not perform. All the above reports have to be assessed by the MPAC and tabled to the Council.

2.3. Oversight

The SA Legislative Sector (2014:15) defines oversight as “the proactive interaction initiated by a legislature with the executive and administrative organs...that encourages compliance with the constitutional obligation on the executive and administration to ensure delivery on agreed to objectives for the achievement of government priorities”. It is where the legislature (municipal Council) monitors the executive and administration in exercising their duties. In municipalities, the MPAC is tasked with an obligation to oversee the executive and the administration in the performance of their duties. The MFMA prescribes which reports must be developed for the Council, community, Department of Cooperative Governance, Provincial Treasury, and National Treasury to play the oversight responsibility that has been entrusted to them.

Makhado et al. (2012:4) point out that oversight “refers to action or mechanism taken to oversee “financial and non-financial” performance of government departments and public entities. Furthermore, it entails overseeing the effective management of government departments by Members of Cabinet in pursuit of improved service

delivery to all citizens”. APAC (2013:12) defines oversight as “the scrutiny and evaluation of the actions of those entrusted with certain responsibilities or powers; to check that they are discharging their responsibilities according to set policies and rules and are delivering expected outputs and outcomes”. According to Madue (2013:44), “oversight is an important legislative means of ensuring that laws passed are implemented, that approved budgets are spent, and that the executive is held accountable following democratic principles”.

National Treasury and Cooperative Governance and Traditional Affairs state that oversight includes the following-

- Watchfulness,
- Supervision,
- Control,
- Monitoring, review and evaluating, and
- Performance assessment.

Oversight is to ensure that the executive is complying with the intention of the legislation not to allow maladministration, incompetence, dishonest practices (National Treasury and Cooperative Governance and Traditional Affairs, 2016:9). McGrath (2013:350) argues that oversight is intended to guarantee “accountability and transparency” and offer a linkage between the will of the public and policy.

In municipalities, the oversight obligation has been entrusted to the MPACs and also the Standing Committees that assist the EXCO in discharging its responsibility to play an oversight on the reports and activities that relate to their areas of responsibility. The oversight process takes place before, throughout, or after the approved accountability period. During the financial year, some reports are tabled in Council on a monthly, quarterly, mid-term and annual basis. All these reports must be interrogated by the MPAC to produce the quarterly reports on activities of the committee and provide recommendations based on the findings that have been identified.

Botes (2011:26) argues that “at the end of the accounting period, the accounting officer, accounting authorities and municipal managers are obliged to provide proper disclosure in an annual report on how the funds were spent”. When the annual report has been

tabled in Council as a draft, the MPAC has to conduct an oversight function and produce an oversight report which will have to be tabled in Council with a recommendation for the adoption of the annual report with reservation, or without reservation, or reject it.

The MPACs have been tasked to have oversight of these reports and report to Council. When the legislators are exercising their oversight duty, all their meetings are done in a transparent way where the public is invited to have observer status in the meetings. This kind of exercise allows the electorate to monitor the government's use of public funds. After the annual report has been tabled at a Council meeting, the MPAC must invite the public to comment on it. In developing its oversight report, the MPAC must consider the views of the public on the annual report. The table below shows the actors in terms of financial reporting and oversight. See Table 2.

Table 2: Overview of actors and responsibilities in South African finance management

Government sphere	Type of role	Functions	Budget Coordination	Accounting Officer	Political responsibility
Local government	Technical	Municipal Manager, CFO, Senior Managers	Budget Coordination steering committee (Mayor chairperson) Councillor for finance, infrastructure, MM, CFO, Senior manager for IDP	Municipal Manager	Mayor /Executive or Council
	Supervisory	Municipal Manager and CFO			
	Oversight	Council (MPAC)			

Source: Ijeoma (2013:309)

The Auditor-General (2013:6) argues that the “national and provincial support and oversight for local government by treasuries and cooperative governance departments should be strengthened to improve municipalities’ administrative and financial abilities.” Most municipalities are faced with a lack of human resource capacity and a lack of financial resources within the administration. The task that has been entrusted to the MPAC is to ensure that the taxpayers' money is spent economically. In exercising the oversight responsibilities, the MPAC must ensure that the policies of the municipality are adhered to and are not being contravened.

2.4. Irregular expenditure

APAC (2013:56) defines irregular expenditure as an expenditure that has taken place in contravention of the Municipal Finance Management Act No. 56 of 2003, Municipal Systems Act No. 32 of 2000, Remuneration of the Public Office-Bearers Act No. 20 of 1997, the Municipal Supply Chain Management Regulations, and or the Supply Chain Management Policy of the municipality. Irregular expenditure is an expenditure that occurs when the legislation or regulations and/or policies are not followed, for example when the procurement of goods and services occurs or when the appointment of staff has been done. According to the Auditor-General (2019:158), “such expenditure does not necessarily mean that money had been wasted or that fraud had been committed. It is an indicator of non-compliance in the process that needs to be investigated by management to determine whether it was an unintended error, negligence or done to work against the requirements of legislation (which, for example, require that procurement should be fair, equitable, transparent, competitive and cost-effective).”

If the municipality incurs irregular expenditure section 32 of the Municipal Finance Management Act No. 56 of 2003 must be applied. Section 32(2) of the MFMA states that “a municipality must recover the irregular expenditure from the person liable for the expenditure unless the expenditure –

(b) after an investigation by the Council a committee, certified by the Council as irrecoverable and written off by the Council” RSA (2003:48).

The committee that is referred to by section 32(2) of the MFMA is the MPAC. According to the Auditor-General, the municipal manager has the responsibility to avert the occurrence of this expenditure. If the expenditure occurs, the Municipal Manager must develop the process to follow to remedy the situation. This process should be incorporated into the Unauthorised, Irregular, Fruitless, and Wasteful Expenditure Policy of the municipality or the municipality should develop a standard policy on how to deal with this type of expenditure once it has occurred. According to the Auditor-General (2018:6) the irregular expenditure of municipalities in South Africa increased to R28.4 billion from R16.2 billion in the financial year 2016/2017, an expenditure

increase of 75%. In the report of the Auditor-General for the financial year 2017/2018, irregular expenditure decreased by R3.5 billion which shows a slight decline.

2.5. Unauthorized expenditure

In section 1 of the MFMA, unauthorized expenditure is defined as expenditure “incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes –

- a) overspending of the total amount appropriated in the municipality’s approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) overspending from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose” RSA (2003:16)

Unauthorized expenditure is expenditure that happens when there is the spending of funds on things that were not budgeted for and the overspending of votes on the approved budget. The Auditor-General (2019:158) argues that it is “expenditure that municipalities incurred without provision having been made for it in the approved budget by the Council or that does not meet the conditions of a grant”. According to the MFMA Section 32 (2) RSA (2003:48), “a municipality must recover the irregular expenditure from the person liable for the expenditure unless the expenditure is “(a) (i) authorized in an adjustment budget; or certified by the Municipal Council, after an investigation by a Council committee, as irrecoverable and written off by the Council.” The Municipal Manager is tasked with the responsibility to prevent this type of expenditure. Again, municipalities have to develop a policy that must deal with the process to prevent the reoccurrence of the unauthorized expenditure.

According to the findings of the Auditor-General (2018:17), “unauthorized expenditure of R12 603 million was incurred at 161 municipalities (67%). Overspending of the budget or main sections within the budget was the reason for R12 540 million (99,5%)

of this expenditure, caused by poorly prepared budgets, inadequate budget control, and a lack of monitoring and oversight.”

2.6. Fruitless and wasteful expenditure

The Auditor-General (2019:158) defines “fruitless and wasteful expenditure as expenditure that was made in vain and that could have been avoided had reasonable care been taken.” Section 32 of the MFMA mandates the municipality to prevent fruitless and wasteful expenditure, and when this expenditure has been discovered the expenditure must be recovered. The section further states that a committee of the Council must be appointed to investigate this expenditure RSA (2003:48).

2.7. The international practice of the Public Accounts Committee

The Public Accounts Committee (PAC) is a standing committee in parliament or legislature. Pelizzo and Stapenhurst (2007:381) argue that the PACs in Australia and the United Kingdom are established by an Act of Parliament. McEldowney in Botes (2011:25) states that the first parliament to form the Public Accounts Committee in year 1861 was the House of Commons entrenching the oversight principle of public funds. The Public Accounts Committee’s role “is to hold the government to account for how it is spending the public funds” (2017:3). The allocation of seats to this committee is done according to the proportionate representation of political parties in parliament. Furthermore, to reduce the dominance of the majority party generally in most countries the chairmanship of the committee is given to an opposition party.

Pelizzo and Stapenhurst (2007:382) suggest that where the chairpersonship of the committee has been given to an opposition party, the chairperson has the responsibility to perform two basic roles. First, he or she “re-equilibrates the balance of power between the government and an opposition”. Second, he or she plays a figurative role. Giving the chairmanship to an opposition party shows the preparedness of the majority and minority to work together without being partisan. The PAC’s decisions and reports are unanimously endorsed by members without being partisan. According to the Canadian Audit and Accountability Foundation (2010:5), “PACs must minimize

partisanship to be effective. Members should develop good working relationships with each other and strive for consensus”.

When appointing or electing the chairperson of the committee, due regard should be given to the expertise necessary to ensure that the committee would be productive and effective in exercising its oversight mandate. The Canadian Audit and Accountability Foundation (2010:29) argues that “for a committee to be effective, its powers and practices must be combined with a respected and knowledgeable Chair who has well-developed leadership skills”.

Botes (2011:26) contends that the arrangement for the selection of the leadership of the committee is vital, given the inspiration of the chairperson must have to direct the committee’s investigations and work programmes. Hedge & Blick cited in Botes (2011:26) indicate that appointing the chairperson from the opposition has the potential “to promote independence, actual and perceived”.

Pelizzo & Stapenhurst (2007:382) further state that in Australia the chairperson of the committee generally comes from the ranks of the majority party. They consider this approach of having the chairmanship from the governing party as advantageous, as this can help with the execution of the PAC’s recommendations. The chairperson has to advocate for the implementation of the recommendations of the PAC by the government. This involves behind the scenes work to lobby ministers who are not willing to act. The member of the governing party has access to the cabinet minister.

According to the Canadian Audit and Accountability Foundation (2010:26), the Public Accounts Committees with appointed staff are fully functional and effective in the performance of their duties. When exercising their responsibility efficiently, they make clear recommendations, and conduct follow-ups of the implementation of those recommendations. The PACs in Canada have enough budget to seek the support of external advisers and experts to assist in conducting the committee inquiries and writing the reports for the committee. The Canadian Audit and Accountability Foundation (2010:29) further argues that for the PAC committee to be effective it must have access to reliable, dependable and suitable data. Accurate, non-partisan data is important to hold the government accountable.

The Canadian Audit & Accountability Foundation (2010:30) states that “during hearings, the Public Accounts Committee must rely on the legislative auditor for expert assistance to define the true nature of problems and to assess the validity and implications of the evidence brought forward”. One legislative auditor stated that the Public Accounts Committee is considered “as the auditor's partner in improving the administrative and fiscal management practices within government organizations”. The function of the parliamentary auditor must continue as an independent office. They must not be confused as part of the committee.

According to the Canadian Audit and Accountability Foundation (2010:6), for the PACs to be effective the following mechanisms need to be applied:

1. “A formal and clearly defined framework of powers and practices,
2. Government commitment,
3. Capacity to exercise the committee’s powers,
4. Strong committee leadership,
5. Supportive working relationship with the legislative auditor, and
6. Public and media involvement” (2010:6).

2.8. Municipal Public Accounts Committee (MPAC)

In the local government sphere, the committee that plays the oversight role, such as the PAC in the National Assembly and Provincial Legislature, is the Municipal Public Accounts Committee. The MPAC committee is established in terms of section 79 of the Municipal Structures Act No. 117 of 1998. The National Treasury and Department of Cooperative Governance and Traditional Affairs (COGTA) (2014:77) jointly developed guidelines establishing the MPACs in municipalities. Burger argues that “only the legislature has the authority to demand accountability from the executive authority”.

The MPAC serves as an oversight committee that is entrusted with an oversight function over the executive delegated by the Council. According to COGTA and National Treasury (2011:4), “the MPACs will assist the Council to hold the executive and municipal entities to account and to ensure the efficient and effective use of

municipal resources”. This committee is not a duplication of the Audit Committee and the Standing Committee of Finance. Its function is purely that of undertaking oversight.

Unlike national and provincial governments which have a separate legislature and executive, the Council of a municipality constitutionally wields both executive and legislative powers (e.g. passing by-laws and oversight). So, the Council has in effect to hold itself accountable. To do so, it creates the MPAC which discharges the legislative oversight function. It is similar to the National Parliament which has to exercise oversight over its spending and has created the Joint Standing Committee on the Financial Management of Parliament as its oversight mechanism in the Financial Management of Parliament Act.

The MPAC has a similar responsibility as that played by the Standing Committee on Public Accounts (SCOPA) in the National Assembly and Provincial Legislatures, but it does not have the powers to subpoena individuals to appear before it. The Auditor-General (2014:56) states that the introduction of the MPACs as a committee of the Council was only established to examine annual report of the municipality which incorporates the financial statements and audit report, and to ensure that there improvement in governance matters, exercise transparency and accountability. The Auditor-General (2014:56) further goes on to say that “the committee is an important provider of assurance, as it needs to give assurance to the Council on the credibility and reliability of financial reports, compliance with legislation as well as internal controls.” In many ways, the MPAC is equivalent to a Board, Audit, and Risk Committee in the private sector.

The Auditor-General (2013:16) argues that the Municipal Public Accounts Committees must be strengthened and supported as they perform an imperative function in the municipalities. The Auditor-General of South Africa (2017:117) when auditing municipalities in the financial year 2015-2016 came up with the following challenges that affect the MPACs:

- “Lack of capacity and awareness of MPAC roles and responsibilities, because members were new Councillors largely due to the high turnover of MPAC members;

- Lack of administrative support; and
- Delayed submission of reports and information from the administration.”

When the committee is not supported or not provided with the reports and information needed, it will not be able to exercise the oversight responsibility hence the findings of the Auditor-General.

The MPACs may engage the public directly when exercising the oversight function and by considering the public comments if there are any that are submitted for consideration. Members of the MPAC are non-executive members of the Council. The reason members are non-executive is to ensure that accountability and oversight are performed effectively and efficiently. This kind of exercise promotes the separation of powers. The National Treasury (2006:2) articulates that separation of powers “avoids conflict of interest and a referee/player situation arising and is similar to the role played by Parliament”.

The reports of the MPAC are tabled in Council, the Chairperson of the committee liaises with the Speaker of the Council if there is a report that needs to be tabled in Council so that it must be catered for in the agenda of the Council meeting. The guidelines mention that the committee may request support from the internal auditors or external auditors if the need arises.

2.8.1. The functions of the MPAC

The Auditor-General (2013:149) describes the main duties of the MPAC as follows:

- The committee must examine the annual report and prepare the oversight report with recommendations to the Council for adoption.
- To examine the past financial year recommendation on the oversight on the annual report. These reports are the following current in-year reports, including the quarterly, mid-term, and annual reports.
- To evaluate the current financial statements and audit reports of both the municipality and municipal entities, the committee should acknowledge positive progress against previous financial statements and audit reports.

- To examine the recommendations of the audit committee and the Auditor-General's recommendations on how they've been dealt with and implemented.
- To encourage good governance, transparency, and accountability on how the municipal funds and resources are being used.

In addition to the functions of the MPAC that the Auditor-General mentioned, according to the Cooperative Governance and Traditional Affairs and National Treasury (2011:7) the functions are listed below:

- “To recommend or undertake any investigation in its area of responsibility, after reviewing an investigation report already undertaken by the municipality or the Audit Committee; and
- To perform any other functions assigned to it through a resolution of the Council within its area of responsibility”.

The functions of the MPAC must find expression in the Delegations Framework of the municipality as these responsibilities are allocated to the committee by the Council. Details that pertain to financial aspects that need to be interrogated in terms of the Municipal Finance Management Act No. 56 of 2003 will be elaborated in the next chapter (Legislative Framework).

2.8.2. Six characteristics of an effective MPAC

The characteristics of an effective MPAC are meant to assist the committee to monitor the performance according to Cooperative Governance and Traditional Affairs and National Treasury (2017:45). The characteristics are listed below in Table 3:

Table 3: Attributes of an effective MPAC

Aim	Key attributes / measured by
Non-partisan and unique identity	<ul style="list-style-type: none"> • The committee must be composed of all the parties reflected in the municipal Council. • Party political differences must be left to the municipal Council and members should work as a collective.

Aim	Key attributes / measured by
	<ul style="list-style-type: none"> • The committee enjoys respect in Council because of its independence and it should not be easily swayed by any political power. • Any engagements of the media and public statements/ profiles must be done by consensus. • The committee's mandate is not to challenge the policy position of government but examine and monitor its implementation.
Working culture	<ul style="list-style-type: none"> • The Chairperson of the committee must be knowledgeable, an independent thinker, and must have well-developed leadership skills. • Work independently from the executive and be able to ask questions that are probing. • The members of the committee must be dedicated to exercising oversight responsibility. • Members must be complimentary of each other but work independently and support each other's contributions to the work of the committee. • The committee must be able to initiate the matters of accountability, e.g. non-compliance matters and irregularities must be raised by the committee without waiting for the Auditor-General, National Treasury, and Provincial Treasury to raise them. • Persuade the Council to take action and ensure that its recommendations in this regard are clear and not ambiguous. • It must be the responsibility of the committee to decide when the committee meets, the items for discussion, officials required to attend the meetings, and make the meetings public – “meeting to be focused and programme driven rather than simply routine go through the motions”.

Aim	Key attributes / measured by
	<ul style="list-style-type: none"> • The committee must prepare the questions to the political and administrative leadership before the sittings of the meetings. The questions must be forwarded to officials concerned before the meetings and be given timelines of response. • “Management of the MPAC workload – a systematic working through of issues with adequate time allocation for completion of tasks.”
Public profile	<ul style="list-style-type: none"> • Meetings of the committee must be open to the public and media, the minutes and the reports of the committee must be made public as required by section 21 of the Municipal Systems Act No. of 2000. • The MPAC must have a cordial relationship with the media and be careful when “raising matters of public interest”. • The leadership of the committee should be capable of “report and account” to the public. This means that it should be able to respond to any questions and concerns raised by the public. • The work of the committee must be publicized for the public to know how the committee is functioning.
Capacity	<ul style="list-style-type: none"> • “Actively works to build and sustain its capacity for effective scrutiny of public expenditure through: <ul style="list-style-type: none"> ○ Focused training ○ Continuity of membership, ○ Teamwork, ○ Specialization and division of labour (e.g. subcommittees and information-gathering sessions) ○ Regular information briefings, ○ Expert advisors

Aim	Key attributes / measured by
	<ul style="list-style-type: none"> ○ Making full use of municipal staff and those of the internal audit unit.”
Self-evaluation	<ul style="list-style-type: none"> • Performance indicators of the committee should be clearly defined to monitor the performance of the committee. • The committee should assess its performance against the work that has been completed and highlight the work that is in progress. • Sets targets for implementation of its recommendations, and publishes the cost of its inquiries. • Pinpoint positive ways to exercise “effective oversight performance”. • Ensure that the work of the committee is subjected to review by the Auditor-General, Provincial Treasury, or National Treasury.
A full and comprehensive oversight mandate	<ul style="list-style-type: none"> • “Broad scope: the power to investigate or review all past, current, and committed expenditure and performance issues. • The power to initiate inquiries. • The power to access credible, reliable, and appropriate information. • Free choice: the capability to choose subjects for examination without government direction and advice, and to initiate inquiries with a clear focus on accountability. • Effective analysis, reporting and response to the powers to make recommendations, publish conclusions, suggest improvements, and follow up on implementation”.

Source: Cooperative Governance and Traditional Affairs & National Treasury (2016:45)

The above characteristics may be included in the terms of reference of the MPAC. Khalo (2013:591) identifies the key important enablers of the MPAC to be effective as follows:

1. “Clear mandate,
2. Adequate powers,
3. Adequate resources (Personnel, financial, and equipment),
4. Recorded processes and procedures,
5. Strong and credible leadership,
6. Municipal’s commitment to accountability and oversight,
7. Integrity,
8. Autonomy,
9. Access to information,
10. Skills required
 - a. Understanding and interpretation of financial statements,
11. Analytical skills
 - a. Budget and financial statements analysis
 - b. Principles of auditing,
 - c. Financial oversight,
 - d. Understanding financial systems,
 - e. Research,
 - f. Coordination,
 - g. Content advisor, and
 - h. Legal expertise” (2013:591).

Khalo (2013:591) argues that there are challenges that impede the effectiveness of the MPAC in exercising oversight, such as lack of continuity of councillors and loss of memory, non-implementation of resolutions by management, fewer powers, lack of initiation of its inquiries, lack of support either with resources and political influence, lack of public hearings and undermining of the MPAC by the executive and management. Where the committee has no support staff and resources to work, it will be difficult for it to perform its work satisfactorily.

2.9. Audit committee

In terms of the MFMA, the municipalities must have an Audit Committee (AC). This committee can be a shared service with other municipalities within the District if the municipality cannot afford one. The MAFMA further requires that the committee should be independent and must consist of not less than three members. The majority of its members must not be the employees of the municipality or municipalities that are served by the audit committee (RSA, 2003:154). According to Davis et al. (2003:144) members of the audit committee must be independent individuals who will perform their duties impartially and without bias. Nxumalo et al. argue that an audit committee is a vital tool that creates the financial accountability of the municipal executive and administration to the Council. Nxumalo et al. (2013:13) further state that the MPAC “serves as an independent advisory body that advises the Council, executive and administration on the proper financial management of the municipality”.

The MPAC conducts the review of the annual financial statements and provides an authoritative and credible view on the compilation of the financial statements and the state of the financial position. The Auditor-General (2013:13) provides that “the audit committee is further required to provide assurance to the Council on the adequacy, reliability, and accuracy of financial reporting and information”. The committee also responds to the matters that are raised by the Auditor-General. It may investigate the financial affairs of the municipality at the request of the MPAC and municipal Council.

The audit committee’s ability to provide assurance depends on the reliability of the information provided by the internal audit and management of the municipality. If these role players do not provide reliable information to the audit committee, the committee will not be able to provide assurance. When the MPAC examines the annual report it relies on the technical expertise and support from the audit committee. In the Annual Report, the audit committee has an obligation to provide a report commenting on the information provided. The MPAC may invite the Audit Committee to its meetings when the need arises and when it has to consider its reports.

According to Cooperative Governance and Traditional Affairs and National Treasury (2016:68), the audit committee has the duties to advise the municipality on the following aspects:

- Internal financial control and internal audits;
- Risk management;
- Accounting policies;
- The sufficiency, trustworthiness, and correctness of financial reporting and data;
- Performance management;
- Matter of governance;
- MFMA Circular No 65 (Internal Audit and Audit Committee);
- Internal Audit and Audit Committee;
- Adherence with the Municipal Finance Management Act No.56 of 2003,
- the Division of Revenue Act which is enacted annually, and any other laws;
- Performance management report; and
- Any matters that are submitted to Audit Committee by the municipality or municipal entity.

2.10. The Auditor-General of South Africa

According to Dalton-Brits and van Niekerk (2016:5), “the Auditor-General is a chapter nine institution which plays a vital role to foster accountability in all levels of government. This office is formed in terms of Chapter 9 of the Constitution of the Republic. In the past, the Auditor-General was just merely auditing the departments, State-Owned Enterprises, provincial entities, municipalities, and municipal entities and giving opinions with recommendations. In year 2018 Parliament amended the Public Audit Act No. 25 of 2004 by inserting section 5 (1B) which gives powers to the Auditor-General to instruct any public institution to take remedial action of the matters raised by Auditor-General, failure to take the remedial action the Accounting Officer of an institution the Auditor-General can raise a debt against such an official who has caused the loss (RSA, 2004:28).

The MPAC uses the Auditor-General's report as an oversight tool to hold the executive and administration accountable. The Office of the Auditor-General relies on the MPAC to ensure that the audited findings are taken further by making a point that the Audit Committee and managers accountable to the Municipal Manager respond and act to resolve the audit queries. The management of a municipality must develop the audit action plan for all the audit queries raised by the Auditor-General.

The Auditor-General of SA (2013:18) in his report, when auditing the municipalities in the financial year 2011-2012, recommended the following to strengthen the functioning and effectiveness of the MPACs:

- The public meetings of the MPAC should be prioritized to ensure that monitoring and review contributes to the reporting timelines of municipalities and to ensure that audit committees are quick to respond;
- For the committee to be functioning, resolutions should not only deal with purely financial matters, but also with, performance, and compliance with legislation;
- In each quarter, management must submit reports to the MPAC on the execution of the resolutions taken by the committee;
- Training of new members must be done timeously and the concepts that are often found in financial statements and the audit report must be clarified to the members of the committee;
- Regularly, there should be training courses that are undertaken to ensure that the committee members remain abreast with the changes and developments on the field of accountability to ensure that accountability is embedded within processes and cultures of the municipalities;
- Any changes to the membership of the MPAC should be minimized to ensure that the committee is stable; and
- When the speakers of provincial legislatures are holding their speakers' forum the chairpersons of the MPAC should be invited to ensure that the oversight function in municipalities is carried forward.
- The relationship between the MPAC and Auditor-General should not jeopardize the independence of the Auditor-General.

2.11. Conclusion

The introduction of the MPAC in municipalities is seen as a tool to exercise oversight and to guarantee that there is answerability when it comes to the handling of the finances within the local government sphere. This noble idea was adopted to ensure uniformity in terms of oversight responsibility with the National Parliament, Provincial Legislatures, and Municipal Councils although the MPACs have no right to subpoena any individual to appear before the committee. Legislators or councillors are entrusted with the responsibility to ensure that the public funds are adequately and efficiently spent.

Municipal Councils must delegate the powers of oversight to the MPAC using the Delegations' Framework as required by the Municipal Finance Management Act No. 56 of 2003 (RSA, 2003:150). The MPAC must monitor all the financial affairs of the municipalities and municipal entities to ensure that the resources of the municipalities are not wasted or misused.

The committee must have a functioning link with the Audit Committee and Office of the Auditor-General of South Africa. The relationship between the MPAC the audit committee and the Auditor-General should not jeopardize the independence of these offices. If there are any issues of unease that the MPAC wants to investigate, it may refer them to the audit committee for investigation.

CHAPTER 3: LEGISLATIVE FRAMEWORK AND REGULATIONS

3.1. Introduction

This chapter seeks to give a summary of the statutory and policy outline that governs local government in terms of oversight over the executive and administration. The focus will be the MPAC which is being tasked to ensure financial accountability is in place.

The following legislative frameworks will be dealt with:

1. Constitution of the Republic of South Africa 1996;
2. The White Paper on Local Government 1998;
3. Municipal Structures Act No. 177 of 1998;
4. Municipal Systems Act No. 32 of 2000;
5. Municipal Finance Management Act No. 56 of 2003;
6. MFMA Circular 11 Annual Report;
7. MFMA Circular 32 Oversight Report, and
8. Guidelines on Establishment of the Municipal Public Accounts Committee;

The chapter will elaborate more on what municipalities must do in terms of exercising the oversight function and how the structure of the MPAC is formed and what it is expected to do.

3.2. Constitution of the Republic of South Africa 1996

One of the values in section 1 of the Constitution of 1996 clearly explains that the country will have “a multiparty system of democratic government, to ensure accountability, responsiveness, and openness”. This means that there will be regular elections, where citizens as voters will be allowed to elect the government of their choice and there will be different political parties which the voters will elect to represent them in parliament. Section 2 of the Constitution of South Africa of 1996 states that the “Constitution is the supreme law of the Republic” and any law, policy, or decision that is inconsistent with it will be null and void. The legislations that are developed for local government must not be inconsistent with the Constitution of the Republic.

The country has a three-sphere government which is a national, provincial, and local government which in essence “are distinctive, inter-dependent and interrelated” to each other. Section 41 of the Constitution of South Africa of 1996 requires that all levels of government “provide effective, transparent, accountable, and coherent government” within the Republic. One of the objects of “the local government is to deliver a democratic and answerable government to the local community” in terms of section 152(1) of the Constitution of South Africa of 1996. Ijeoma (2013:397) argues that “local government as the government closer to the people serves as a model of fostering accountability and democracy to the people. In a participative democratic system like the one in South Africa, citizens' participation has now become a major and common requirement. Local government seeks to provide an answerable, transparent and accountable government to the people whose activities and programmes are impartial, non-racial, fair, and just to everybody regardless of their colour, ethnicity, or geopolitical origins.”

The legislative and executive powers are bestowed on the municipal Council in accordance with section 151 of the Constitution of South Africa of 1996 (RSA, 1996:74). The Council has the authority to elect committees and develop powers and functions for them. The committees of Council report their activities to the Council, for example, the MPAC only reports to Council on the work that it has performed.

3.3. The White Paper on Local Government of 1998

The White Paper provides that the Batho Principles should be exercised when services are provided and one of the principles which relate to the research is openness and transparency. This principle means that the municipality should openly conduct its business and should inform the community on how money will be spent and, after spending, they should report back to the community on how the resources were spent.

The White Paper further provides that the committees that are established by Council must monitor the operations of the executive and administration. These committees should be constituted in such a way that they must be able to work in different

competencies. Municipalities form committees such as the committees that assist the executive, oversight committees such as the MPAC, audit committee, etc. Committees such as the MPAC and audit committee are there to improve the accountability of the executive and administration respectively. For these committees to be effective they depend on the quality of reports they are provided with by the management of the municipality.

The municipalities and elected representatives must be held accountable by local ratepayers for the utilisation of municipal resources. From time to time the councillors and management must hold public meetings where they account to the communities they represent in Council on how they spend the public funds and their general management of the municipalities.

3.4. Municipal Structures Act No. 177 of 1998

Usually, in a municipal Council, it is not where extensive discussions on items before the Council are taken. Extensive discussions are taken in Council committees hence there are committees in place. Miso (2011:44) argues that “due to stringent procedures governing the debate in the municipal Council meetings, an in-depth discussion on issues tabled is insufficient to facilitate active and meaningful financial accountability for the executive and administrative structures.” Parties are exercising the discussions in party caucuses and further discuss them in Council committees. Council discussions are limited.

Section 33 of the Municipal Structures Act No. 177 of 1998 indicates that a type of municipality may form a committee of the desired need. Section 79 (1) of the Municipal Structures Act No. 117 of 1998 further gives provision that “municipal Council may:

- a) “establish one or more committees that are necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers;
- b) appoint members of such a committee from among its members; and
- c) dissolve a committee at any time.”

Subsection 79 (2) further provides that “the Municipal Council –

- a) must determine the functions of a committee;
- b) may delegate duties and powers to it in terms of section 59 of the Municipal Systems Act of 2000;
- c) must appoint the chairperson;
- d) may authorize a committee to co-opt advisory members who are not members of the Council within the limits determined by the Council;
- e) may remove a member of a committee at any time; and
- f) may determine a committee's procedure."

The Minister of Cooperative Governance and Traditional Affairs introduced an Amendment Bill on Local Government: Structures Act to section 79. The amendments proposed by the Minister are as follows:

Addition of section 79A which relates to the 'Establishment of the Municipal Public Accounts Committee'.

- i. The establishment of the MPAC intends to ensure that the oversight function is strengthened and the promotion of good governance is performed in municipalities. This insertion also forbids certain councillors to be members of the committee and gives clear roles and responsibilities to the committee.
- ii. The reports of the committee must be submitted to the Speaker and the Speaker must table them in the Municipal Council meetings (RSA, 2018:24).

With the current section 79 of the Municipal Structures Act No. 117 of 1998, the establishment of the MPAC is not mandatory, and thus municipalities have an option to establish or not to establish the committee (RSA, 1998:54). Once the Bill has been passed by the National Assembly and signed off by the President, all municipalities will have to establish the committee.

The MPAC is established using the above provisions. Section 79 of the Municipal Structures Act No. 117 of 1998 states that committees are committees of the Council, they only report to the Municipal Council through the Speaker (RSA, 1998:54). The MPAC performs an oversight responsibility as delegated by the Municipal Council. The chairperson of the MPAC must liaise with the Speaker to ensure that the report or any item that the committee seeks to table before the Council is accommodated on the agenda of the Council. The functions of the committee are determined in section 59 of

the Municipal Systems Act No. 32 of 2000, which will be discussed further in the next topic.

3.5. Municipal Systems Act No. 32 of 2000

The Municipal Systems Act No. 32 of 2000 in section 59 provides that the Municipal Council must develop a delegations' framework where certain functions of the Council will be delegated to structures, office bearers, and chosen officials such as the accounting officer. All the delegations need to be written down and approved by the Council. The delegations' framework is provided to ensure that it "will maximize administrative and operational efficiency and provide for adequate checks and balances" (RSA, 2000:60).

Some powers cannot be delegated which are the original powers of the Municipal Council. These powers *inter alia* include the following in terms section 160(2) of the Constitution of South Africa of 1996:

- a) To pass the by-laws of the municipality;
- b) Approve the municipal budget;
- c) The imposition of rates and taxes, levies and duties; and
- d) Raising of loans.

The other function that must not be delegated is the amendment and adoption of the Integrated Development Plan of the municipality. Anytime the Council may withdraw the delegations from the delegated official or politician or committees. The delegation must not be inconsistent with the Constitution of South Africa of 1996 or any Act. The Council may put conditions, limitations, and directions on the powers delegated. The delegations' framework must indicate that the official or committee may have the power to sub-delegate the powers that are delegated to him or her by Council. The Council has a responsibility to monitor the powers that are delegated if they are implemented or exercised which fulfils the mandate of the Municipal Council. When a new Council is appointed, the delegations' framework needs to be reviewed. Furthermore, the Council may withdraw any powers that are delegated in accordance

with the rules of order. It may also review the decisions taken by the structure or official delegated in terms of the delegation framework.

The powers that are entrusted to the Municipal Public Accounts Committee need to be incorporated in the delegation framework of the Municipal Council. The committee is subjected to the same provisions of section 59 of the Municipal Systems Act No. 32 of 2000. One of the reasons the powers of the MPAC must be incorporated into the delegations' framework is to ensure that the committee performs its responsibilities within the powers that are approved by the Council. The delegations' framework of the municipality must be gazetted.

3.6. Municipal Finance Management Act No. 56 of 2003

The MPAC conducts the oversight function over the following financial aspects in terms of the Municipal Finance Management Act No.56 of 2003:

3.6.1. Unforeseen and unavoidable expenditure (section 29)

The accounting officer must make a report of any unforeseen and unavoidable expenditure that has been incurred to the MPAC. There should also be a provision made in an adjustment budget. The committee must interrogate the expenditure and table the recommendations to the Council. If no adjustment budget has been made, the committee must report this to the Council.

3.6.2. Unauthorized, irregular or fruitless and wasteful expenditure (section 32)

If there is any unauthorized, irregular, or fruitless and wasteful expenditure that has occurred, the Executive Mayor or Mayor, executive committee or any political office bearer of the municipality must report it to the Council and the MPAC must interrogate it. The accounting officer must report to the MPAC on all necessary steps that are taken to authorize or certify the payment or to recover or write off the expenditure. Further, the accounting officer must report if there is criminal action instituted in this regard. The MPAC must report to the Council on the

appropriateness of criminal or civil steps taken and report if there is any further action taken and why.

3.6.3. Mayor's quarterly report on the implementation of the budget (section 52(d))

The Mayor must submit the quarterly report on the implementation of the budget and state of affairs of the municipality to the MPAC. Following non-submission of the report to the MPAC within 30 days after the end of the quarter, the MPAC must report the non-compliance to the Council. On receipt of the report, the committee must interrogate the report and table recommendations to the Council. If any amendments need to be made to the SDBIP, the MPAC must ensure that the Mayor attends to those amendments and must submit the proposals to the Council for an adjustment budget. If the Mayor has not amended the SDBIP, the committee must report such to the Council. If there are any concerns about the report, the MPAC must report such concern to the Council.

3.6.4. Monthly budget statement (section 71)

The Municipal Manager must submit a monthly budget statement to the Mayor, and the monthly budget statement must be submitted to the MPAC. The MPAC must examine the monthly budget statement and if there are any issues of concern the committee must report to the Council.

3.6.5. Mid-year budget and performance assessment (section 72)

The mid-year budget and performance assessment report has to echo and specify the performance of the municipality. According to National Treasury (2015:28) it must be inclusive of “the monthly statements, municipal service delivery performance, and the previous year's annual report and progress”. This report must be submitted to the Mayor and be submitted to the MPAC. The MPAC must examine the reports and submit the comments to the Council.

3.6.6. Disclosure concerning Councillors, directors, and officials (section 124)

When the annual financial statements are prepared, the disclosure concerning Councillors, directors and officials must be presented. The MPAC must ensure that all the necessary disclosures are done. These include the following:

- Salaries, allowances, and benefits of political office bearers and all Councillors of the municipality.
- If any arrears are owed by Councillors over 90 days.
- Salaries, allowances, and benefits of the municipal manager and senior managers accountable to the municipal manager.
- Salaries, allowances, and benefits of the board of directors of the municipal entity if the municipality has an entity.
- Salaries, allowances, and benefits of the Chief Executive Officer and senior managers of the municipal entity or entities if the municipality has any.

3.6.7. Submission and auditing of annual financial statements (section 126)

The annual financial statements of the municipality as well as those of the municipal entities if there are any are submitted to the Auditor-General. A copy or copies must be submitted to the MPAC, and the proof of submission should be provided to the MPAC that they are submitted. If the submission is not done or not done on time the committee must report such late or non-submission to the Council.

3.6.8. Submission of the Annual Report and tabling to the Council (section 127)

The Mayor must table to the Council the annual report of the municipality and the entities if there are any seven months after the end of the financial year. The annual report must be submitted to the MPAC within two weeks after it has been tabled in the Council. The MPAC must ensure that the public has been invited to comment on the annual report. The invite must be published on the website of the

municipality and in public libraries and local newspapers and made accessible to the public. The MPAC must monitor that the annual report has been submitted to the Auditor-General, Provincial COGTA, and the Provincial Legislature.

3.6.9. Oversight report on the annual report (section 129)

Section 129 of the Municipal Finance Management Act No. 56 of 2003 requires the MPAC to interrogate the annual report of a municipality. The committee may hold public hearings on the annual report to consider the views or comments of the public on the contents of the report. The Municipal Manager of the municipality must be present at all the meetings where the annual report is considered. After consideration of the annual report the committee must prepare the oversight report and table it to Council with the following comments depending on the views of the MPAC:

- “has approved the annual report with or without reservations;
- has rejected the annual report;
- has referred the annual report back for revision of those components that can be revised.”

The oversight report must be made public in terms of section 21A of the Municipal Systems Act No.32 of 2000. The minutes of all the meetings of the MPAC where the annual report was considered must be submitted to the Auditor-General, Provincial Treasury, and the Provincial COGTA.

3.6.10. Issues raised by the Auditor-General in audit reports (section 131)

The Audit Action Plan on how the issues raised by the Auditor-General will be addressed must be submitted to the MPAC which must interrogate the plan if submitted and make recommendations to the Council. If it is not submitted, the committee must report to the Council.

3.6.11. Audit committee (section 166)

All municipalities must establish an audit committee. MPAC must ensure that the audit committee is functional; if not, it must report this to the Council. The Municipal Manager must submit the reports of the audit committee to the MPAC. These reports may assist the MPAC with its functions and capacitate it. The composition of the committee must not be fewer than three and members must not be working for the municipality. The Audit Committee is an independent advisory body to the Council and the MPAC may invite the chairperson to the sittings of the committee when the need arises.

An audit committee is an important instrument for ensuring that financial accountability is in place. The audit committee can be used as an advisory body to the MPAC but the advisory role must not compromise the independence of the committee. The audit committee must interrogate the annual financial statements and the report of the committee must be incorporated in the annual report.

3.7. Municipal Regulations on Supply Chain Management

In terms of section 117 of the MFMA councillors are forbidden to attend any bid committee meeting. Councillors have the oversight responsibility for the process through the implementation of the Municipal Supply Chain Management Policy. Regulation 6(3) provides that the municipal manager must report to the Mayor at the end of each quarter on the execution of the Supply Chain Management Policy within ten working days after the end of the quarter. Furthermore, the regulation provides that if there are any serious and material problems the Municipal Manager must submit the report to the Council. If there are any deviations on the report tabled to the Council, the MM must provide reasons if those deviations were necessary and if they were necessary the Council must note them. If they were not necessary, the Council must take the required steps against those who are responsible.

The MPAC must receive the reports and interrogate them and submit the reports thereof to the Council. Upon receipt of the Auditor-General's report, if there are any material

findings which were not disclosed by the MM, the Council must hold the MM accountable for any irregular expenditure that has not been disclosed.

3.8. MFMA Circular 11 Annual Report

Municipalities and their entities are all required to compile an annual report after the end of each financial year as per section the Municipal Finance Management Act of 2003.

The purpose of the annual report is:

- “to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and budget implementation; and
- to promote accountability to the local community.”

The annual report must contain the audited annual financial statements, the report of the audit committee, and the audit report of the Auditor-General. On completion of the compilation of the annual report, it must be tabled to the Council for scrutiny by a designated committee (MPAC). The MPAC on behalf of the Council must produce an oversight report and table it to the Council. National Treasury (2005:4) provides that “The Council is required to adopt the oversight report containing its comments on the annual report(s) and whether it approves, rejects, or wishes it to be referred back for further revision.” The meeting where the oversight report is discussed must be open to the public.

3.9. MFMA Circular 32 Oversight Report

This circular is written to assist the Councillors on how to deal with the annual report to develop the oversight report. According to National Treasury (2006:1) the “Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, the Municipal Finance Management Act No. 56 of 2003 (MFMA) and Municipal Systems Act No. 32 of 2000 (MSA).”

Each municipality and each municipal entity must prepare an annual report for each financial year per the MFMA and MSA. The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions made.

The annual report gives an account of what has been achieved and what has not been achieved in the year in question. The circular provides that there should be a committee that is established in terms of section 79 of the Municipal Structures Act No. 117 of 1998 by the Council to exercise the oversight role on the annual report. The establishment of such a committee is no longer there as the role of the committee has been delegated to the MPAC and the MPAC uses the same circular to exercise oversight over the annual report. The circular guides the MPAC on how the annual report should be dealt with when oversight is performed over it. It also provides the way the resolution of the Council should be crafted when tabled in Council.

3.10. Public Audit Act No. 25 of 2004

The Public Audit Act No. 25 of 2004 has been enacted to realize the provision of sections 181 and 188 of the Constitution of the Republic. In terms of this Act, the Auditor-General must submit the audit reports of the municipalities to the relevant legislature. It is also compulsory for the Auditor-General to make the reports of the auditees in public for public consumption. Parliament has amended the Public Audit Act No. 25 of 2004 by introducing new powers to the Auditor-General where he or she can follow-up on the recommendations issued if remedial action has been taken. Failure to take the remedial action by the Accounting Authority of an institution Auditor-General must take suitable remedial action to ensure that the recommendations are implemented (RSA, 2004:22).

3.11. Guidelines on Establishment of the Municipal Public Accounts Committee

The Guidelines are issued to strengthen the oversight function in municipalities. According to the COGTA and NT (2011:3), the Council's responsibilities and roles in terms of oversight should be clear and there should be no interference with the administration as per section 52 of the MFMA. The MPAC in municipalities plays the same role as the Standing Committee on Public Accounts plays in the national and provincial legislatures, but it does not have the power to subpoena anybody to appear before it. If there is any irregular, wasteful, and fruitless expenditure that has taken place, the MPAC has a right to call the accounting officer to appear before the committee.

The committee may engage the public and receive public comments for its consideration of the activities it undertakes. Internal auditors or the Auditor-General can support the committee at the request of the committee if needed. According to the guidelines, the committee has a permanent referral to the following documents:

- “In-year reports of the municipality and its entity or entities;
- Annual financial statements;
- The audit report, reports from the audit committee;
- Information relating to compliance with sections 128 and 133 of the MFMA;
- Report in respect of any disciplinary action taken in terms of the MFMA where it relates to an item that is currently before or was before the committee;
- Any other audit report; and
- Performance information of the municipality and its entity or entities.”

Members of the MPAC are councillors only who are not office bearers of the municipality such as the Mayor, Deputy, Speaker, Chief Whip, members of MAYCO, and member of EXCO. The number of members of the MPAC are determined by the size of the municipality as follows:

- Municipalities with less than 15 councillors may nominate up to 5 councillors;
 - Municipalities between 15 to 30 councillors may nominate up to 9 councillors;
 - Municipalities between 31 to 60 councillors may nominate up to 11 councillors;
- and

- Municipalities with more than 60 councillors may nominate up to 13 councillors.

The term of the members in the committee should correspond with the term of the Council. When there is a resignation, that resignation must be in writing. When the Council appoints a replacement that should be done in terms of the Council resolution. The guidelines further require that the members of the committee be listed in the annual report of the municipality.

The chairperson of the committee must be appointed in terms of a Council resolution. It is recommended that the chairperson be appointed from the parties other than the majority party. This is recommended on the basis that a councillor from the majority party may not be independent or partial when presiding over the meeting. The committee should develop a work plan or programme which must be tabled before the Council for approval. The MPAC is required to hold a minimum of four meetings in a financial year. Notices convening the meetings of the committee must be 14 days before the meeting and the agenda must be delivered seven days before the meeting.

The committee reports to the Council and its recommendations must be deliberated in an open Council for the public. The performance of the committee must be evaluated annually.

3.12. Conclusion

All the laws that regulate the local government sphere must be consistent with the Constitution; any law that is inconsistent with it is invalid. After the dawn of democracy, South Africa introduced several laws that govern municipalities from the establishment to the systems that govern the municipalities and the management of finances. The Municipal Finance Management Act introduced the new phenomenon whereby all financial activities are performed in a rigorous, transparent manner starting from the budget process to the adoption, implementation and reporting process.

The introduction of the MPAC in municipalities is intended to promote accountability by the executive and the legislature. The MPAC further strengthened the role of the

community in holding municipalities accountable as they are allowed to engage with the annual report through the MPAC. Members of the public may be invited to the MPAC roadshows and/or to meetings when they are in session discussing the Annual Report and other normal meetings.

CHAPTER 4: HISTORICAL AUDIT PERFORMANCE OF SAKHISIZWE MUNICIPALITY

4.1. Introduction

This chapter examines the past nine years of audit outcomes of Sakhisizwe municipality since the establishment of the MPAC in the municipality. The examination of these audit outcomes entails a comparison of the audit reports of the Auditor-General. Audit reports give a clear indication on whether a municipality has improved or regressed in terms of promoting good governance and whether it has complied with the laws, regulations, and policies it adopted. When the MPACs were introduced, the expectations were that they would hold the executive and administration to account for performing their tasks and delivering on their mandate. The analysis of the actual financial performance of Sakhisizwe Municipality over the last nine years will lay the foundation for the empirical research analysing the role of the MPAC in the following chapter, and permit triangulation of secondary and primary data sources.

4.2. Audit outcomes and findings

The municipality achieved the following audit outcomes in the past nine years (see Table 4):

Table 4: Sakhisizwe Municipality Audit Outcomes

Financial Year	Audit Opinion					
	<i>Disclaimer</i>	<i>Adverse</i>	<i>Qualified</i>	<i>Unqualified with findings</i>	<i>Unqualified with no findings</i>	
2010/2011			√			
2011/2012			√			
2012/2013			√			
2013/2014				√		
2014/2015				√		
2015/2016				√		
2016/2017				√		
2017/2018				√		
2018/2019			√			

When the MPAC concept was introduced at the municipal level in local government sphere, Sakhisizwe municipality had just achieved for the first time a qualified audit opinion which was an improvement from the adverse or disclaimer opinion the previous financial year 2010/2011. For five consecutive financial years the municipality achieved an unqualified audit opinion from the Auditor-General, when it suddenly regressed to a qualified audit opinion in year 2018/2019. Table 4 above illustrates the details of the audit findings of the Auditor-General in the past nine financial years.

- In the financial year 2010/2011 to 2012/2013 the municipality received a qualified audit opinion but in the years prior to these ones the municipality was receiving adverse opinions, so there was an improvement. The findings of the Auditor-General were as follows:
 - Recurring findings
 - Irregular expenditure
 - Fruitless and wasteful expenditure
 - New findings
 - Water losses
 - Leave accruals
 - Unauthorised expenditure
 - Material impairments
 - Findings addressed
 - Fruitless and wasteful expenditure in 2012/2013
 - Leave accruals 2011/2012
- The Auditor-General issued an unqualified audit opinion on the annual financial statements of the municipality in the following financial years 2013/2014 to 2017/2019. When the municipality first received an unqualified audit opinion it was a great improvement as there was a commitment from the leadership to ensure good governance in running the affairs of the municipality. Matters that were raised by Auditor-General were as follows:
 - Recurring findings
 - Irregular expenditure
 - Unauthorised expenditure
 - Water losses

- Material impairment
- Findings addressed
 - Water losses in 2014/2015
 - Material impairment in 2014/2015
- New findings
- Material losses 2017/2018 In the 2018/2019 financial year, the municipality regressed from the unqualified audit opinion to the qualified audit opinion. There were significant new findings which were the basis of the qualified audit opinion being expressed by Auditor- General. The following were the findings of the Auditor-General:
 - Recurring findings
 - Irregular expenditure
 - Unauthorised expenditure
 - Material impairments
 - New findings
 - Material distribution of losses
 - Fruitless and wasteful expenditure
 - Bulk purchases
 - Receivable from non-exchange transactions
 - Receivable from exchange transactions
 - Vat receivables payable from exchange transactions

The municipality has findings that were not totally addressed in all the financial years listed above although they have been reduced in terms of quantifying them see Table 5 below. These findings are irregular expenditure and unauthorised expenditure. Non-compliance with the Supply Chain Management Policy of the municipality, Municipal Supply Chain Management Regulations, and adherence to the approved budget or adjustment of the budget where there is a need are the root causes of the irregular expenditure and unauthorised expenditure. Further details will be discussed below.

Table 5: Audit findings for the past nine years

Financial Year		2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Audit outcome		Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Qualified
Findings										
Financial statements qualifications	Non-current assets									
	Current assets						√			√
	Liabilities								√	√
	Capital and reserves	√							√	
	Other disclosure items									
	Revenue	√		√	√	√			√	√
	Expenditure management	√	√	√	√	√	√	√	√	√
	Unauthorised expenditure	√	√		√	√	√	√	√	√
	Irregular expenditure	√		√	√	√	√	√	√	√
	Wasteful and fruitless expenditure	√		√						√
	Aggregate misstatements									√
	Reported information not useful		√	√	√	√		√		√

Financial Year		2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	Reported information not reliable	√	√	√	√	√	√	√		√
	No annual performance report								√	
Non-compliance findings	Information not submitted in time for auditing								√	
	Material misstatement or limitations in submitted AFS				√					√
	Annual financial statements and annual report	√	√	√		√		√	√	
	Asset management	√		√	√				√	
	Liability management									√
	Budgets	√	√	√	√	√	√	√	√	√
	Consequence management			√	√	√	√		√	√
	Audit committees	√	√	√	√	√	√	√	√	√

Financial Year		2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	Internal audit		√	√	√	√	√	√	√	√
	Strategic planning and performance	√	√		√	√	√	√	√	√
	Management of Grants		√	√	√					√
Findings on specific areas	Procurement management	√	√	√	√	√	√	√	√	√
	Quality of submitted performance reports		√				√			√
	Financial health									
	Human resource management	√		√	√			√	√	√
	Information technology						√			
	Oversight	√	√	√	√	√				

4.3. Role players in the municipality

In the municipality, several role-players should ensure that there is provision of assurance on the information of the municipality. Auditor-General (2020:184) argues that “the lack of support and support plans resulted in the specific roles and responsibilities of the various role players,

deliverables and time frames not being clearly defined, making it difficult to identify and address key matters.” The Auditor-General (2013:9) further argues that where there are low levels of assurance provided the results of audits are poor. These role players are as follows:

- a. Council
- b. Municipal Public Accounts Committee
- c. Mayor
- d. Municipal Manager and senior management
- e. Internal Audit Unit and Audit Committee and/or
- f. Provincial Treasury and National Treasury

The Auditor-General argues that “one of the most important oversight functions of Councils is considering auditors’ annual reports. For the Council to perform its oversight function, assurance is needed that the information in the annual report is credible. To this end, the annual report also includes our audit report, which assures the credibility of the financial statements, annual performance report, and the auditee’s compliance with laws and regulations” (2013:138). The audit committee also participates in the annual report finalisation process where the committee gives its perspective on the AFS and performance report. During the financial year, the MPAC conducts its work every quarter on the reports that are tabled to the Council and provide comments as well as recommendations. When the annual report has been tabled to Council for consideration, the committee has to examine the report and provide the oversight report where it advises the Council to accept or reject the annual report.

4.4. The Council

According to the National Treasury and Cooperative Governance and Traditional Affairs (2016:8) “Council as a whole is the legislative body because it alone has the power to make by-laws and policies. Council delegates some of this authority to the executive and the administrative heads but it does not give up its powers and must continue to exercise oversight – it does this through the MPAC”. Furthermore, the Council adopts and adjusts the municipal budget, this power cannot be delegated; it remains the function of the Council. The Auditor-General (2013:89) argues that the municipal Council must ensure that an organisational structure is adopted that responds

to the service delivery needs of the communities served by a municipality and presumably also be affordable in terms of its budget constraints. In the audit report of the 2016/2017 financial year, Sakhisizwe municipality had not approved the staff establishment as required by the Municipal Systems Act.

The Council must ensure that there is a performance management system in place which must be aligned to the integrated development and service delivery budget implementation plan. Where there is poor performance the municipality must ensure that there are controls in place to address the poor performance. The Council must allocate resources to the IT function to perform adequately. A municipal Council must ensure that the internal audit unit and audit committee report regularly to the Council on their activities. Furthermore, Council must ensure that there are sufficient resources (staff and budget) in place. In almost all the reports of the municipality, there is a qualification on both the internal audit unit and the audit committee in their performance of their duties which in most instances on the internal audit unit is attributed to its capacitation and non-functionality of the audit committee.

4.5. Mayor

The Mayor has a responsibility to ensure that the municipal manager and chief financial officer are appointed in the municipality and that these managers have the required skills and competencies to perform their functions. It is evident from the audit report of the 2018/2019 financial year that the non-availability of the municipal manager and CFO had a negative impact on the audit outcomes because the municipality had no CFO for a prolonged period and the municipal manager was suspended and ultimately dismissed and as a result the municipality regressed to a qualified audit opinion.

The Auditor-General (2013:91) argues that the Mayor must “ensure that the performance management system is in place and that the performance of the municipal manager and chief financial officer is managed per the performance management system. The Mayor must take appropriate actions relating to the performance of the municipal manager and chief financial officer”. The Auditor-General had findings on the performance management system of the Sakhisizwe municipality in all the audit

reports since the 2010/2011 audit report. The Mayor must ensure that the commitments he/she made to the Auditor-General are implemented to ensure that the key controls are in place.

One of the responsibilities of the Mayor is to ensure that all the monthly, quarterly, and mid-term reports are presented to the Council and forwarded to relevant treasuries. In some of the reports of the municipality, there were findings that the mid-term reports were not submitted within the prescribed period as per the MFMA. According to the Auditor-General (2013:96), the Mayor has to “ensure that all reports prepared by the audit committee and MPAC relating to these documents (monthly, quarterly and mid-term reports) are tabled in the Council”. Furthermore, before these reports are presented to the Council, their credibility should be tested, and the reports of the MPAC and audit committee on monthly, quarterly and mid-term reports should also be presented to Council.

The other responsibility of the Mayor is to ensure an action plan to address the matters raised by the Auditor-General is in place and, from time to time, the Mayor should request a report from the management of the municipality on the progress of the implementation of the corrective measures developed by the management to resolve the audit findings. In most of the audit reports, the findings were not addressed fully and some were not addressed at all. The Mayor has to ensure that the reports of the audit committee and internal audit unit are prepared and presented to the Council. Generally, the audit committee was not fully functional and the internal audit unit was not fully capacitated according to the Auditor-General’s reports.

4.6. Municipal Manager and Senior Management

The municipal manager has the responsibility to ensure that there is an approved organisational structure, which is populated by competent staff. In the 2016/2017 audit report, one of the findings was that the staff establishment had not been approved as required by the Municipal Systems Act No. 32 of 2000 section 66, which is the sole responsibility of the Municipal Manager. For the implementation of the organisational structure, the CFO must ensure that it is sufficiently funded. According to the Auditor-General (2013:89), the Municipal Manager must “implement the recruitment and

retention policies and performance management system”. It is also the responsibility of the municipal manager and senior management to enforce the appropriate steps for poor performance against the staff reporting to them. On the performance management system, the municipality had findings in all nine audit reports which were not fully addressed.

The Municipal Manager and the senior management have to strengthen internal controls and take other necessary corrective measures to address all the findings of the Auditor-General to ensure that all the commitments made by the Mayor to the Auditor-General are fully implemented. The MM and CFO have to ensure that all the monthly, quarterly, mid-term and annual reports are credible documents before they are presented to all the structures of the Council and Council itself. The Municipal Manager and senior management had submitted the reports as required as follows:

- In the 2010/2011 audit report, one of the findings was that the quarterly reports on the implementation of the budget were not submitted to Council within 30 days after the end of each quarter and the AFS was not compliant with section 122 of the MFMA (Auditor-General, 2011:6).
- In 2011/2012 the mid-term budget performance report was not submitted to the Mayor, Provincial, and National Treasury. The AFS was not compliant with section 122 of the MFMA (Auditor-General, 2012:7).
- In 2012/2013 no assessment of the performance was done, and the oversight report was not made public within the prescribed time as per the MFMA (Auditor-General, 2013:6).
- In 2016/2017 AFS was not compliant with section 122 of the MFMA (Auditor-General, 2017:8).
- In 2017/2018 AFS was not submitted to the Auditor-General within the prescribed time as required by MFMA (Auditor-General, 2019:8).
- In 2018/2019 AFS was not compliant with section 122 of the MFMA. In this period there was no Municipal Manager as the former Municipal Manager was on suspension and ultimately dismissed because he awarded contracts irregularly and there was no CFO for a prolonged period (Auditor-General, 2019:8).

It is the responsibility of the Municipal Manager to ensure that all the oversight structures are fully empowered. In all the reports the audit committee and internal audit unit were not fully capacitated to fully perform their roles and responsibilities.

4.7. Internal Audit Unit and Audit Committee

Audit committee and Internal Audit unit as oversight structures have the responsibility to ensure that the legislation and policies adopted by the Council are fully implemented. The Audit Committee of the municipality also performs the functions of the performance audit committee. They must ensure that there is a performance management system in place and audit its implementation and present the reports to the Council. They must also see to it that there is an audit action strategy approved and monitor its implementation to address the matters raised by the Auditor-General and report to Council the progress made.

The Audit Committee and the Internal Audit Unit must ensure that the monthly, quarterly, mid-term and annual reports are credible before they are presented to Council and submitted to the relevant organs of the state and the Provincial Legislature. The majority of the audit reports of Sakhisizwe Municipality clearly show that these structures are not supported by the municipality for them to play an “independent, objective assurance and consulting activity designed to add value and improve an organization’s operations” (Kwaza, 2016:11). In all the audit reports of the Auditor-General there are findings against the performance of the Audit Commit and Internal Audit unit.

4.8. Municipal Public Accounts Committee

As discussed at length in chapter three, the MPAC must ensure that there is a full implementation of all the policies of municipalities. It must recommend action to be taken against poor performance within the municipality. However, it is up to the Executive to action those performance and consequence management recommendations. The MPAC has a responsibility to recommend to Council action that

must be taken against the employees who underperform. In turn, the Council must hold the Executive accountable for not taking action against poor performance.

The implementation of the audit action plan is monitored by the Audit Committee to ensure that all the findings of the Auditor-General are addressed and the MPAC as well has a responsibility to ensure that the audit action plan is followed and prevent the reoccurrence of the findings of the Auditor-General. The MPAC has to ensure that all the financial, internal audit and performance reports that are presented to the Council are credible. It also has to ensure that the internal audit unit and Audit Committee recommendations are presented to the Council and their recommendations are implemented. The limitation faced to assess the performance of the MPAC was that there were no minutes and oversight reports available only the views of the participants were used.

4.9. Provincial and National Treasuries

Provincial and National Treasuries provide support in terms of human resources to assist the municipalities which are struggling to manage their financial resources due to capacity constraints. They ensure that there is funding to implement the policies and organisational structure in municipalities, national departments, and provincial departments. Furthermore, they provide human resources and funding to ensure the implementation of the performance management system. National Treasury provides training on financial affairs and other matters that need their intervention.

The National Treasury allocates intergovernmental grants which are used as an intervention to assist all municipalities. The grants are as follows:

- *Municipal Infrastructure Grant*: provides funding for the infrastructure of the municipalities,
- *Municipal Systems Improvement Grant*: used to ensure that there are proper systems in place in the municipalities,
- *Equitable share*: used to subsidise the provision of basic services to the indigent community members, and

- *Finance Management Grant*: used to capacitate municipalities in terms of the provision of human resources (appointment of interns) and their training thereto.

Some of these grants that are provided by the National Treasury have conditions that must be met when spending them (such as the Municipal Systems Improvement and Financial Management grants) and cannot be used for other purposes by the Council. Sakhisizwe Municipality had failed to spend the Municipal Infrastructure Grant in 2018 which resulted to National Treasury denying the roll-over of the funds (Sakhisizwe Municipality, 2020:58). Failure to spend the Municipal Infrastructure Grant has a negative impact to the residents of the municipality as the projects that were meant to be constructed were never constructed on time. Possibilities are that there are no proper monitoring mechanisms in place to monitor the expenditure patterns of the municipality or this was attributed by the community unrest which took place in 2017/2018 financial year.

4.10. An analysis of the extent to which audit findings were resolved or recurred

Between the 2010 and 2019 financial years some findings in audit reports at Sakhisizwe municipality have persistently recurred. These findings are discussed in greater detail below.

4.10.1. Expenditure management

Expenditure management appears to have stagnated rather than improved over the period under study. The cause of this problem is non-adherence to the Supply Chain Management (SCM) Policy and Municipal SCM Regulations when procuring goods and services for the municipality. According to the Auditor-General (2019:11), Sakhisizwe Municipality has not adhered to section 65(2) of the Municipal Finance Management Act, No. 56 of 2003 which requires the payment of suppliers within 30 days after submitting the invoice.

The other factor which contributes to this problem is the increase in irregular and unauthorised expenditure, where the municipality incurred this expenditure above the budgeted amounts on votes. One of the findings of the Auditor-General (2019:11) clearly states that non-compliance with the SCM Regulations and Preference Procurement Regulations resulted in the majority of the irregular expenditure in the year 2018/2019. The former Municipal Manager of the municipality was suspended in the financial year 2018/2019 and later dismissed for SCM related irregularities.

4.10.2. Budget Control

The municipality has exceeded spending on some votes on its budget and failed to prepare the adjustment budget or variation of funds to reprioritise its expenditure. When the budget has been exceeded and the additional spending is not condoned by Council in an adjustment budget, it contributes to the unauthorised expenditure.

4.10.3. Internal Audit Unit and Audit Committee

The findings of the Auditor-General (2019:14) reflect that the Internal Audit Unit and Audit Committee had not performed their functions in ensuring that there was a “control(ed) environment within the municipality as numerous material misstatement were identified during the audit”. The Internal Audit Unit had a lack of capacity because there is no senior management post in the unit since its establishment. In an institution when a person who is championing audit findings is not at a senior level in the organisation, the senior management finds it difficult to implement the recommendations from junior staff (Auditor-General, 2019:14).

4.10.4. Procurement

The Auditor-General argues that there is inadequate monitoring of the performance of contractors who are providing services to the Sakhisizwe

municipality. Monitoring of contractors or service providers is supposed to be conducted regularly every month. The municipality is in contravention of section 116(2) (b) of the Municipal Finance Management Act No. 56 of 2003 by not monitoring the projects. Unsatisfactory oversight of suppliers or contractors by executives and management is recurring. If there is failure to monitor the performance of contractors or suppliers, projects will not be completed or the service provided will be inferior whilst the funds have been spent.

In the financial years 2010/2011 to 2013/2014, Sakhisizwe Municipality received a qualified audit opinion from the Auditor-General which was an improvement over the prior years in which it had received disclaimer opinions. The contributing factor to the improvement of the audit outcomes is that Sakhisizwe Municipality was placed on Municipal Finance Improvement Programme by National Treasury for a period of two years. Between 2014/2015 and 2017/2018, the municipality received an unqualified audit opinion with findings which was a further improvement. In the last audit for 2018/2019, the municipality, however, received a qualified audit opinion, which is a regression from the previous outcome. This negative audit outcome happened because of a vacuum in top management leadership in the municipality. This is supported by the Auditor-General (2019:13) in his report that “there was a prolonged vacancy in the key position of the chief financial officer and the municipal manager was suspended, which resulted in leadership instability that undermined accountability. The absence of this leadership resulted in inadequate direction within the municipality to direct and guide its strategies and operations”.

4.11. Conclusion

When the expenditure taking place in procuring goods and services the SCM regulations are not fully adhered to, this results in the occurrence of irregular expenditure. Unauthorised expenditure has been incurred due to the non-monitoring of the budget because the approved budget votes were always exceeded. The Internal Audit Unit of the municipality has no capacity at the senior management level which results in the recommendations of the unit not being fully addressed. Both the Unit and

Audit Committee have not ensured that the internal controls are adhered to by the municipality.

All the auditees must develop an audit action plan responding to the Auditor-General's findings. The audit action strategy is presented to the Audit Committee to review and recommend changes if they are necessary. From time to time the Audit Committee must ensure that this audit action is being implemented. Generally, the Audit Committee was not fully functional and the Internal Audit Unit was not fully capacitated according to the Auditor-General's reports. Auditor-General (2013:102) argues that "the root causes of poor audit outcomes are generally not addressed due to an inappropriate attitude and culture that have been entrenched in the auditees. This has resulted in there being no consequences for poor performance, which creates an environment that does not support change and accountability". The municipality has to focus on how to address the findings of the Auditor-General. In the last report of the municipality there were new findings that were never reported in the previous reports. The vacant senior leadership positions within the institution resulted in negative audit outcomes as there was little capacity to provide leadership as most officials were acting in their positions. The 2018/2019 AFS was not compliant with section 122 of the MFMA. In this period there was no Municipal Manager as the former Municipal Manager was on suspension and ultimately dismissed because he awarded contracts irregularly and there was no CFO for a prolonged period.

One of the primary functions of the MPAC is to hold the executive and management accountable for the utilisation of municipal resources. The MPAC of the municipality is not effective in exercising its obligations because for the past eight to nine years there are findings that are always appearing in the Auditor-General's reports. Most of these findings are matters which relate to compliance with the legislation governing local government.

CHAPTER 5: COLLECTION OF DATA, ANALYSIS, FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1. Introduction

This chapter deals with the interpretation of data collected throughout the case study as illustrated in chapter one where the methodology and design have been discussed extensively. Quantitative research used to analyse the responses of the participants. Due to the Covid-19 pandemic, there was no physical contact interaction with the participants. Instead, they were emailed the questionnaire, and verbal follow-ups were only done in cases of lack of clarity or further detail required. There were about eighteen participants who were identified to respond to the questionnaire. Three current members of the MPAC from various political parties, the current chairperson of the MPAC, three councillors who are non-members of the MPAC, a former chairperson of the MPAC, three former members of the MPAC, the Chief Financial Officer, the chairperson of the Audit Committee, Manager: Internal Audit Unit, Strategic Manager, Municipal Manager, the Speaker, and the Mayor. Twelve participants completed the questionnaire and returned it.

5.2. Limitations of the study

The limitation of the study was that the views of the Audit Committee were not sourced as the contact details of the chairperson were never provided by Sakhisizwe municipality. In addition, some of the identified respondents never returned their questionnaires even after several reminders. The minutes of the MPAC meetings also could not be accessed due to the Covid-19 pandemic. In the Council of Sakhisizwe Municipality there are three councillors from minority parties of which only one councillor responded from this group.

5.3. Analysis of the questionnaires

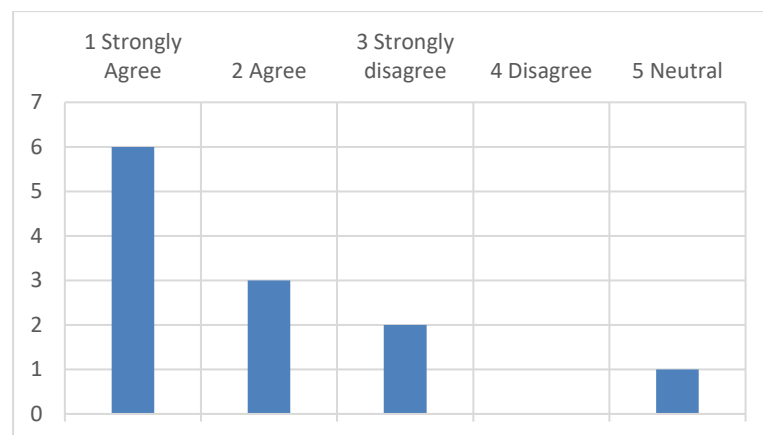
5.3.1. To identify from the literature, the legislative requirements for the MPAC performance and the factors which promote or impede their effectiveness

The development of the questionnaire was based on the research objectives considering the literature and legislative framework in assessing the performance of the MPAC.

5.3.1.1. Establishment of the Municipal Public Accounts Committee

Two thirds of the participants who completed the questionnaire felt that the MPAC had been established in compliance with the Guidelines for the Establishment of the Municipal Public Accounts Committees see table 6. The MPAC is operating lawfully as the guidelines have been followed by the Council since it was established. No committee of Council is established without a Council resolution and the municipality has to follow the guidelines.

Table 6: Respondents' perception whether the establishment of the MPAC complies with the Guidelines



Sample size 12

Source: Own calculation

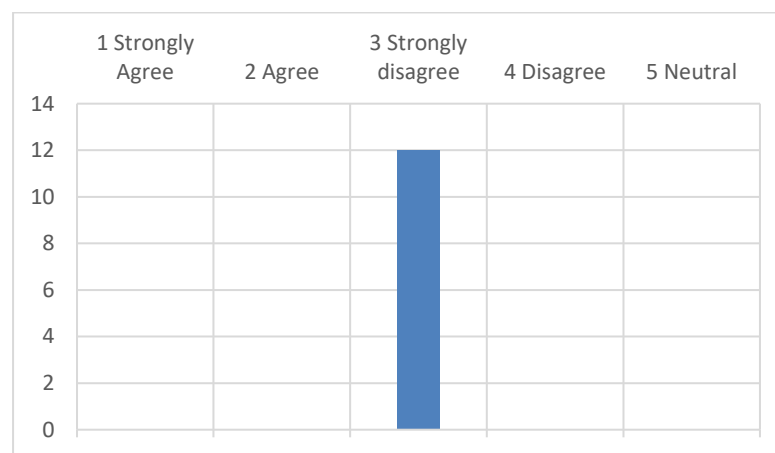
According to the Cooperative Governance and Traditional Affairs and National Treasury (2011:10), the size of the MPAC in a municipality with 15 to 30 councillors may be of up to nine councillors who must be nominated to be members of the committee. Furthermore, the term of the committee should be aligned with the full term of the sitting Council. The councillors serving as the MPAC members must be councillors who are not serving as the Executive Mayor, Deputy Executive Mayor,

Mayor, Deputy Mayor, Speaker, Chief Whip (who is full time or serving in the Executive Committee) as a member of the Mayoral Committee and member of the Executive Committee.

5.3.1.2. Chairperson is from the minority party

The participants unanimously concluded that the chairperson of the MPAC is not from the ranks of the minority parties in the Council, see table 7.

Table 7: Respondents' perception that the Chairperson is from the minority party



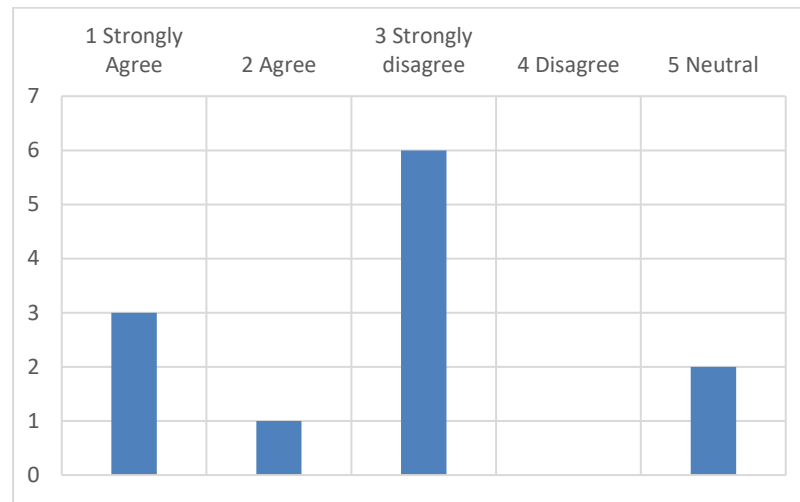
Source: own calculations

The Cooperative Governance and Traditional Affairs and National Treasury (2011:11) states that the appointment of the chairperson of the MPAC should preferably be from the ranks of the minority parties. Furthermore, this practice is considered to ensure “transparency, ethical behaviour, and good governance prescripts”. When the chairperson of the committee comes from the ranks of the majority party, he or she will not have objectivity when dealing with issues of accountability. For instance, if in the executive of the municipality there are members who are serving in senior positions within the ranks of the ruling party, the chairperson would be afraid of being purged.

5.3.1.3. Chairperson serving on other Council committees

Half of the participants contend that the chairperson of the committee is not serving on other Council committees, see table 8.

Table 8: Respondents' perception whether the Chairperson is serving on other Council committees

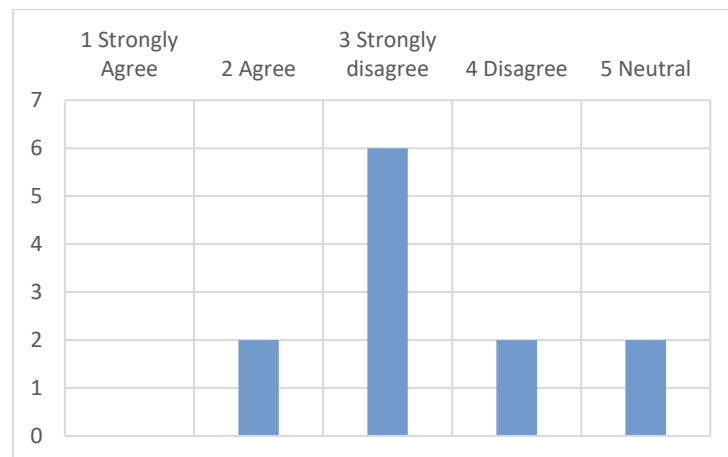


Source: own calculations

The Cooperative Governance and Traditional Affairs and National Treasury (2011:9-10) advocate that the councillors appointed as members of the MPAC must not serve on other Council committees if the number of councillors is sufficient within that particular Council. Cooperative Governance and Traditional Affairs and National Treasury (2011:09-11) further argue that the practice of the members not serving on other Council committees will ensure that conflict of interest is minimised. Sakhisizwe Municipality is a small Council because it has about 17 councillors so it will be difficult to have councillors serving only on the MPAC. For the position of the chairperson, the practice of appointing the chairperson to be a member of the MPAC only must be applied. This practice will eliminate the conflict of interest from the chairperson.

5.3.1.4. Adoption of terms of reference of the MPAC

The participants confirm that the municipality has adopted the terms of reference for the MPAC, which is used as a guiding document for the MPAC to regulate its operations, see table 9.

Table 9: Respondents' perception on adoption of the terms of reference of the MPAC

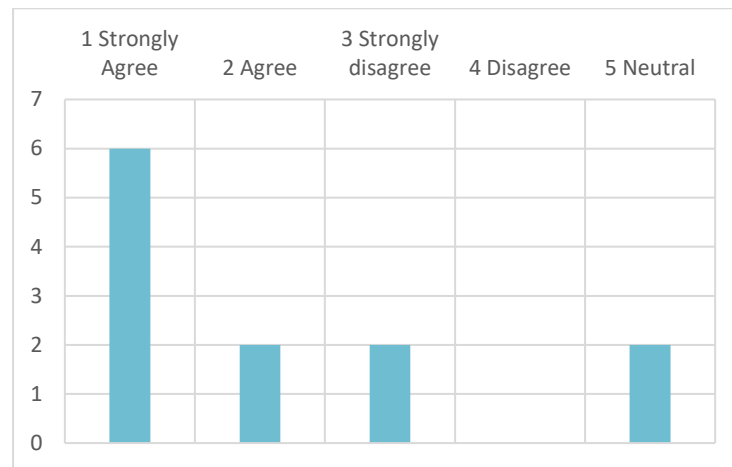
Source: own calculations

According to the APAC (2013:27), “the MPAC’s Terms of References (TORs) is the statement of its functions and responsibilities as delegated by the Municipal Council”. For the committee to function effectively there must be terms of reference in place and without the terms of reference, the committee will not be operational.

5.3.1.5. Terms of reference incorporated in the delegations’ framework of the municipality

According to the participants, the municipality has incorporated the terms of reference of the MPAC into the delegations’ framework of the municipality, see table 10. Section 59(1) of the Municipal Systems Act No. 32 of 2000 provides that the Council should develop a delegations’ framework that will ensure effective administrative and operational efficiency and give enough checks and balances. The Municipal Council may delegate suitable functions that exclude those that are outlined in section 160(2) of the Constitution of South Africa of 1996. Terms of reference should be incorporated in the delegation’s systems as a single document that must be accessible.

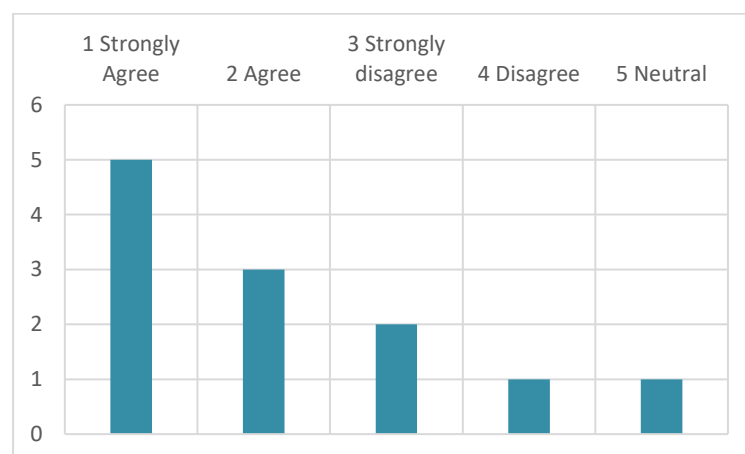
All the powers and functions in a Municipal Council are delegated in terms of delegations’ framework. If the terms of reference are not incorporated into the framework of the delegation it will have a negative effect on all the decisions taken by the committee as they can then be deemed illegal if they are challenged.

Table 10: Respondents' perception that the terms of reference are incorporated in the delegations' framework

Source: own calculations

5.3.1.6. Terms of reference are reviewed annually

The majority of the participants felt that the municipality is not reviewing the terms of reference of the MPAC annually, see table 11. A review of the terms of reference of the MPAC provides an opportunity for any changes that are required to be done on the functioning of the MPAC to be effected and not to have to wait for the new Council to be elected. The municipality must provide room for the review of the terms of references of the committee.

Table 11: Participants' perception that terms of reference are reviewed annually

Source: own calculation

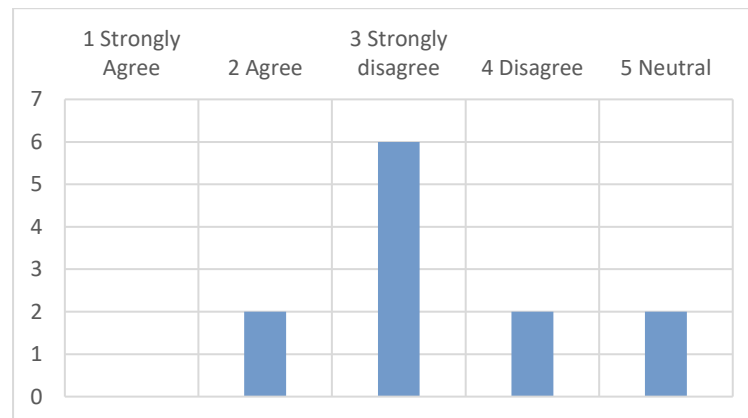
The APAC (2013:59) states that when the strategic planning process of the municipality is in session the MPAC should review the functions that are delegated, including the terms of reference to ensure they are still relevant. If there are any recommendations for review, section 65 of the Municipal Systems Act No. 32 of 2000 gives authority to the Municipal Manager to table them for the Council to consider through the Executive Committee.

5.3.2. To evaluate whether the members of the committee understand what is expected of them in terms of exercising fiscal oversight

5.3.2.1. Committee members are adequately trained

Participants claim that MPAC members are not adequately trained to perform their oversight function and to ensure that there is accountability for the actions taken by the executive and administration, see table 12.

Table 12: Participants' perception that MPAC members are not adequately trained



Source: own calculations

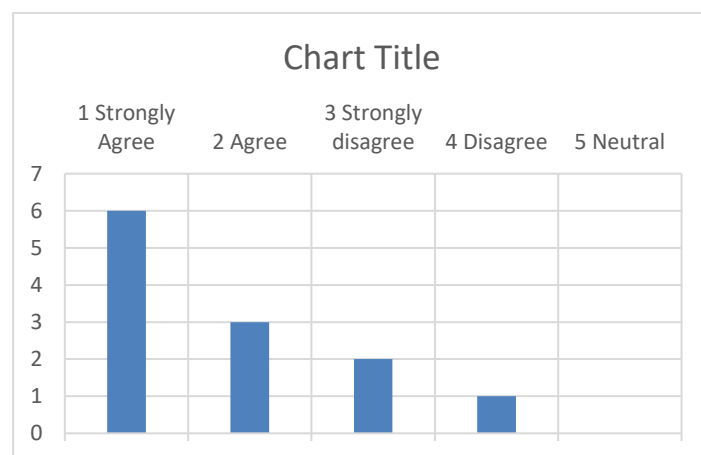
For the committee to exercise the oversight responsibility effectively, capacity building programmes need to be placed and implemented. Miso (2011:23) argues that the “committee capacity entails technical, financial and human resources at the disposal of the committee to carry out its responsibility.” Without these aspects that Miso mentions the committee can never be effective in delivering its mandate as anticipated with regard to the terms of reference of the MPAC.

If the committee members are not adequately trained the committee will fail to execute its functions and that will render the MPAC ineffective. The executive and the management of the municipality will continue not enforcing internal control systems within the municipality.

5.3.2.2. Annual work plan adopted

A large number of participants state that the annual work plan of the MPAC has been incorporated into the Council Calendar and adopted by the Council, see table 13.

Table 13: Participants' perception that annual work plan is adopted



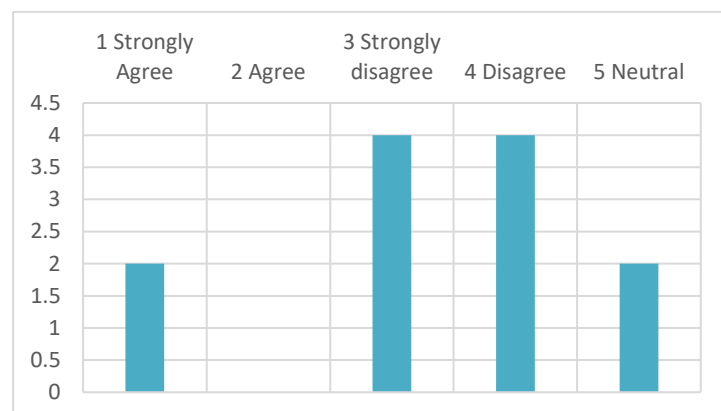
Source: own calculations

According to National Treasury (2016:50), the MPAC should develop an annual work programme that must be aligned with other MPAC, and the programme must be adopted by the Council. When the programme of the MPAC is aligned with the Council's programme, it makes it easy to ensure that the MPAC sits and monitors its performance. The existence of the programme also ensures that the management prepares the reports that must be furnished to the MPAC. This as well ensures that the MPAC is kept accountable and develops reports to the Council on the work it has conducted as per the work programme. The adoption of the annual work plan makes it easy for the MPAC to execute its functions. Failure to develop a work plan makes it difficult for the MPAC to hold its meetings timeously.

5.3.2.3. Sitzings as per the work programme

The MPAC is not sitting as per the approved work programme according to the views of the participants, see table 14.

Table 14: Participants' perception whether the MPAC is sittings as per the work programme



Source: own calculations

When the MPAC adopts its work plan and submits it to Council for endorsement, once approved the MPAC needs to adhere to the scheduled dates, and if any programmes impede the MPAC not to adhere to the scheduled dates it needs to reschedule its sitting to a new date. All Council committees are expected to hold their meetings every quarter as per the approved work programme. National Treasury (2016:50) states that the MPAC must not sit less than once a quarter in accordance with the annual work plan.

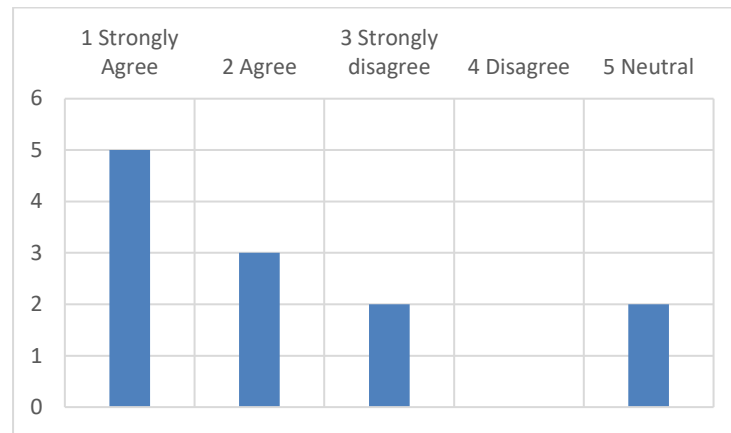
Non-sitting of the MPAC as per the approved work plan makes the committee not to perform its work satisfactorily as it will be sitting on an ad-hoc basis. The implications for this practice would render the MPAC ineffective because the reports would be rushed through as the MPAC wants to have a report to Council to comply with the Council schedules without giving enough time for discussions and holding the executive and the management accountable for their actions.

5.3.2.4. The committee has access to reports

The majority of the participants felt that the MPAC is receiving all the required reports to perform its functions as required, table 15. The reports could be provided timeously

but if the members of the committee are unable to examine them it means they cannot hold the executive and management to account.

Table 15: Participants' perception on MPAC having access to reports



Source: own calculations

Cooperative Governance and Traditional Affairs and National Treasury (2011:5) argue that the MPAC must have access to the below listed documents as they become available as follows:

- i. In-year reports (section 71,52(d), mid-year reports, and adjustment budget),
- ii. SCM Quarterly Reports,
- iii. Annual Financial Statements,
- iv. Recommendations of the Audit Committee and other reports,
- v. Compliance information as per section 128 and 133 of the MFMA,
- vi. Information on disciplinary action taken,
- vii. Annual Report,
- viii. Performance information of the municipality,
- ix. Financial Misconduct Reports,
- x. Auditor-General's Report,
- xi. Internal Audit Reports, and
- xii. Any other reports which relate to the work of the MPAC.

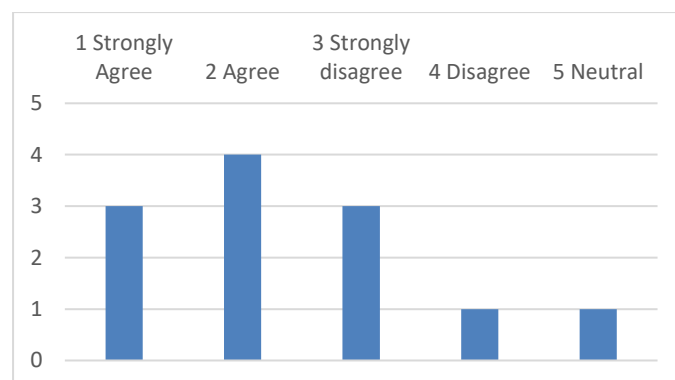
For the MPAC to be effective it should have a permanent referral to the above documents. The above-mentioned reports must be made available to the committee timeously and they must be of good quality. Committee members must be provided

with the reports five to seven working days before the meetings to give them enough time to examine them in preparation for the committee meetings.

5.3.2.5. Committee provides assurance (irregular, unauthorised and fruitless, and wasteful expenditure)

According to the views of the majority of the participants, incidents of unauthorised, irregular, and fruitless, and wasteful expenditures are decreasing as a result of the work of the MPAC, table 16. When the committee receives the internal audit and audit committee reports the extent of the above expenditures must be reported. The MPAC must investigate these reports and provide recommendations. These expenditures are the findings of the Auditor-General and they are on a downward trajectory.

Table 16: Participants' perception whether MPAC provides assurance



Source: own calculations

The MFMA in section 32(2) provides that these types of expenditures must be recovered from the employees who have caused them. In terms of section 4, it is the responsibility of the Municipal Manager as an accounting officer to ensure that the Mayor, MEC of Local Government, and the Auditor General are informed about these types of expenditures in writing. The municipality has the responsibility to ensure that these expenditures are investigated and take action against the staff or councillor who have caused these expenditure.

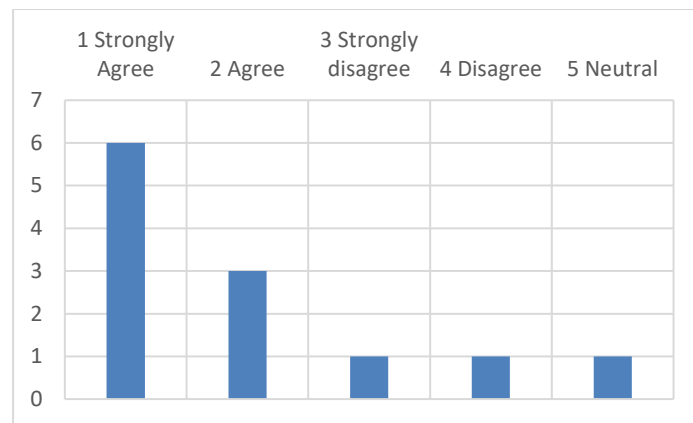
5.3.2.6. Review of the Annual Report

Participants unanimously agree that the review of the Annual Report and reporting is taking place in the municipality, see table 17. The MPAC is exercising the oversight function through the Annual Report review process. The following activities must take place when the Annual Report is reviewed:

Municipalities are required to table the Annual Report to Council on or before the 31st January each year.

- i. Notice inviting the public to comment on Annual Report must be advertised.
- ii. The committee holds a briefing session with the Auditor-General on the outcomes of the audit report of the municipality.
- iii. Preliminary questions developed and submitted to the management for responses.
- iv. The Mayor, Exco members, and the Municipal Manager were invited to the committee.
- v. Hold public hearings where the public will be allowed to engage on the contents of the Annual Report.
- vi. The committee develops an oversight report and submits it to Council for adoption.
- vii. After the adoption of the oversight report, the report must be made public and submitted to the Cooperative Governance and Traditional Affairs, Provincial and National Treasury together with the Annual Report.

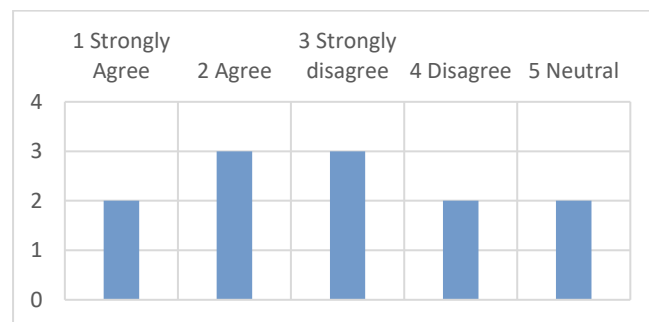
The above mentioned activities must be undertaken to produce the oversight report of the MPAC. Khalo (2013:585) argues that the Council must consider the annual report within two months “and adopt an oversight report containing the council’s comments on the annual report, indicating by way of a statement whether the council has approved the annual report, has rejected the annual report or has referred back the report for revision. The accounting officer of the municipality must within seven days of the adoption of the oversight report make it public.”

Table 17: Participants' perception on the review of the Annual Report

Source: own calculations

5.3.2.7. Consequence management is applied when the above expenditures are discovered

Half of the participants are of the view that the municipality is applying consequence management against the officials who have caused these expenditures and the other half has the view that there is no consequence management taken against the officials who have caused these expenditures, see table 18.

Table 18: Participants' perception whether consequence management is applied when the above expenditures are discovered

Source: own calculations

The implication of failing to take action against the employees and councillors who have caused irregular, unauthorised and fruitless, and wasteful expenditure, is that these expenditures will continually balloon. When the municipality takes an action, it will send a clear message that these expenditures are not tolerated by the municipality. The respondents who support the view that the municipality takes consequence management

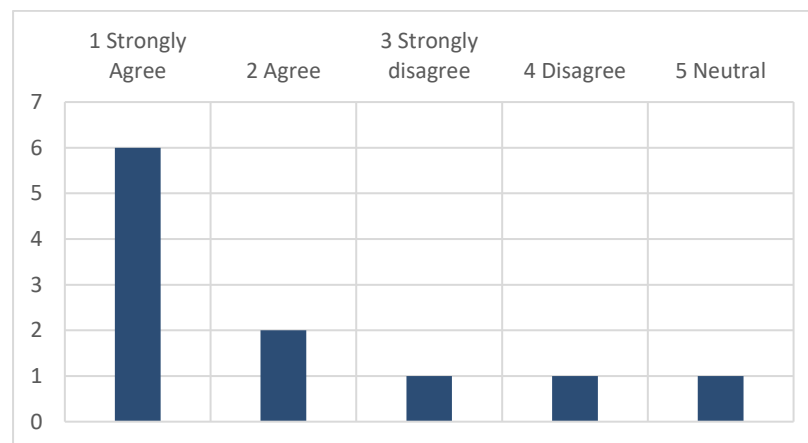
against the officials who are causing these unwanted expenditures have provided evidence that there was an official who was suspended due to allegations of flouting the procurement processes. The municipality is taking consequence management against its officials. For example, the former municipal manager was charged and ultimately dismissed.

APAC (2013:58) provides that the Council has a legal obligation to address all financial misconduct cases which include “criminal offence, theft and fraud are reported to the South African Police Service”. Where the Municipal Manager fails to report such cases he or she must be charged. The National Treasury states that the MPAC has a responsibility to invite the Municipal Manager and/or senior managers to provide full information about these expenditures.

5.3.2.8. Committee reports to Council

The insight provided by the participants is that the MPAC is reporting its activities to the Council, see table 19. Failure to report to the Council will mean that the MPAC is not functional and the Council must dissolve the MPAC if it is not reporting its activities.

Table 19: Participants’ perceptions on MPAC reporting to Council



Source: own calculations

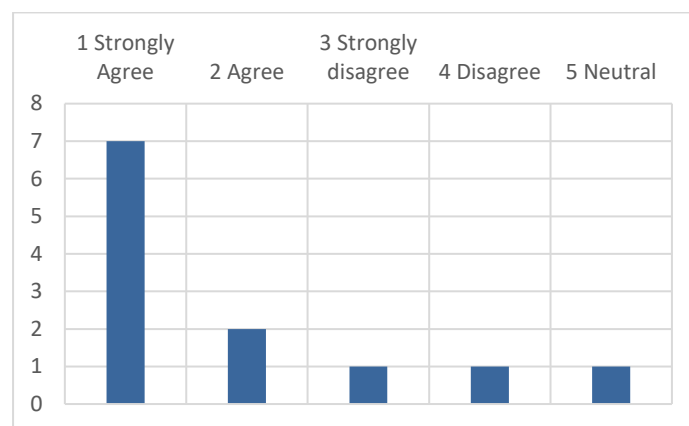
National Treasury (2016:51) provides that the MPAC should at least report to Council once every quarter. As the MPAC is expected to hold its meetings quarterly, it is also expected to submit the quarterly reports to the Council on the work it has conducted or

completed. Reporting to Council is a mechanism that is in place to monitor the performance of the MPAC.

5.3.2.9. The committee performs functions assigned by Council through a resolution

Participants concluded that the MPAC is performing its core functions and other functions assigned to it through Council resolutions, see table 20. The MPAC is formed through a Council resolution. Its terms of reference must be adopted by the Council. Whenever the MPAC performs its functions, they must be incorporated into the terms of reference. If they are not forming part of the terms of reference, Council has to take a resolution assigning that function or functions to the committee. If the MPAC performs a function or functions without a Council resolution, that would be illegal.

Table 20: Participants' perception whether MPAC performs functions assigned by Council through a resolution



Source: own calculations

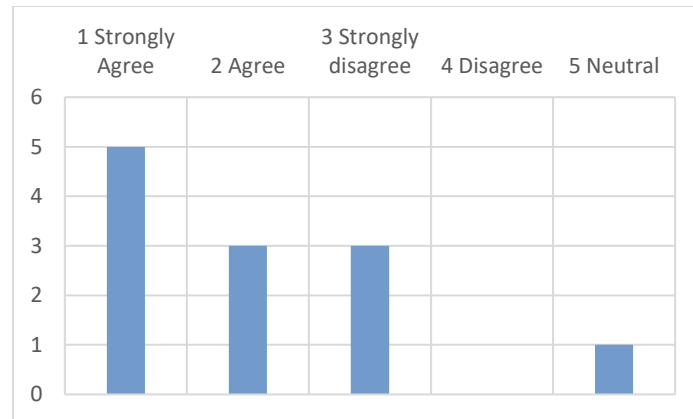
The APAC (2013:24) provides that the MPAC may be given other functions through Council resolutions which are in the area of operation of the committee.

5.3.2.10. The MPAC conducts investigations and makes recommendations to Council

Participants felt that the MPAC is conducting the investigations on its area of responsibility and makes recommendations to Council, see table 21. Participants gave an insight into where the MPAC was assigned to investigate fleet management and fuel

management. The MPAC provided recommendations on the action the Council should take against the officials involved in alleged fleet management and fuel discrepancies.

Table 21: Participants' perception whether the MPAC conducts investigations and makes recommendations to Council



Source: own calculations

Cooperative Governance and Traditional Affairs and National Treasury (2011:7) explains that one of the responsibilities of the MPAC is to propose or conduct investigations within its area of work when it has reviewed the outcomes of an investigation that was undertaken by the municipality or its Audit Committee. National Treasury asserts a different version on the matter of investigation where they are pointing out that the MPAC is not formed to be the investigative committee or structure, because they don't have the required legal powers to undertake investigations.

In some instances, the MPAC gets the reports from the Audit Committee and Auditor-General. After it has reviewed the reports based on the information provided, the MPAC could request further formal investigations where the Council may appoint an independent investigator or an official of the municipality with the requisite skills to conduct further investigations.

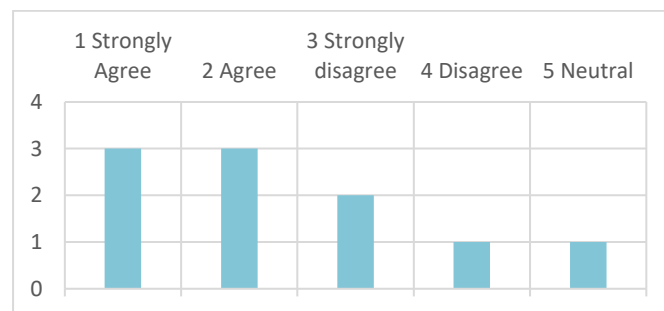
5.3.2.11. Exco and management are invited to the meetings of the MPAC

According to the views of the participants, the Exco and management are requested to be present in all the MPAC meetings, see table 22. The implication of not inviting the Executive of the municipality to the meetings of the MPAC means that there will be no

monitoring of the resolution of the MPAC, if they are being implemented to avoid the reoccurrence of the issues referred to the Executive and management to address them.

APAC (2013:36) argues that the information requested from officials of the municipality is done through the Municipal Manager. Furthermore, the committee asks the Municipal Manager to appear before it to give clarity on matters which the MPAC is investigating. The MM must attend the meetings when invited.

Table 22: Participants' perception whether the Exco and management are invited to the meetings of the MPAC



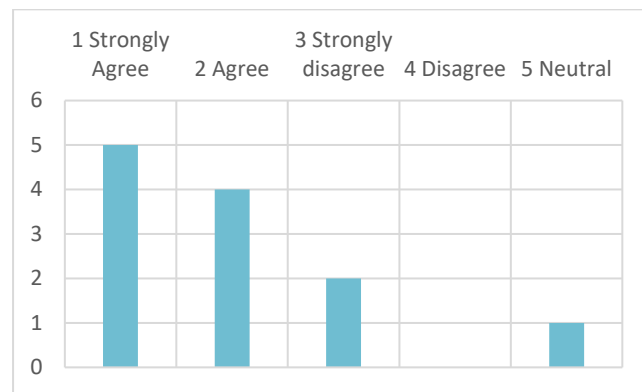
Source: own calculations

5.3.3. To assess if there is any collaboration with the Internal Audit Unit and Audit Committee

5.3.3.1. MPAC has a working relationship with the Internal Audit Unit and Audit Committee

The committee has a working relationship with the Internal Audit Unit according to the views of the respondents, see table 23. When the MPAC has a working relationship with the Internal Audit Unit and Audit Committee, it makes the work of the committee easier if there are any difficulties to understand the terms used in the audit reports of the Auditor-General and the Audit Committee. The Internal Audit Unit and the Audit Committee provide advisory support to the MPAC.

Table 23: Participants' perception whether MPAC has a working relationship with Internal Audit Unit and Audit Committee



Source: own calculations

Cooperative Governance and Traditional Affairs and National Treasury (2011:5) assert that the committee can ask for support from the Internal Audit Unit. National Treasury (2016:13) argues that the Internal Audit Unit and the Audit Committee are required to support the MPAC in its work to guarantee that the items discussed are relevant, a consistent approach is applied to matters before it, it complies with legislative framework, and it ensures matters raised are responded to timeously. Working with the Internal Audit Unit will ensure that there is continuity and no duplication of functions.

5.3.4. To identify the shortcomings and strengths of the committee about exercising the oversight responsibility and opportunities for improvements

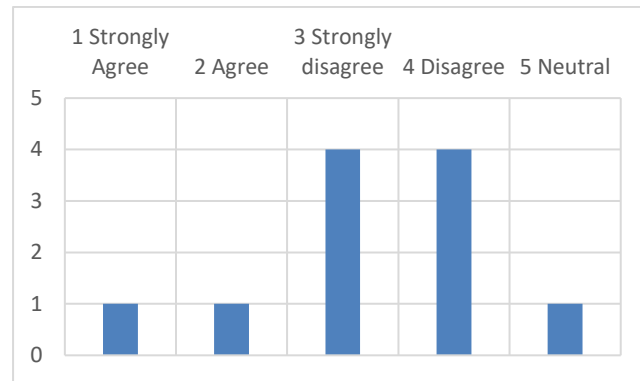
5.3.4.1. MPAC meetings open to the public

The assertion that the participants have made is that the meetings of the MPAC are not open to the public, see table 24. The MPAC meetings are not advertised to invite the public to attend the meetings and observe the proceedings. This exercise is depriving the community of their rights to participate in the oversight processes of the municipality.

The APAC (2013:41) mentions that “the meetings of the MPAC must be open to the public”. Media as well can be invited to be present in the meetings and the public hearings of the committee. National Treasury (2016:50) argues that all the meetings of

the MPAC must be placed on the website of the municipality which must have the details of the agenda. These meetings also include the meetings where the content of the Annual Report is discussed.

Table 24: Participants' perception whether MPAC meetings are open to the public

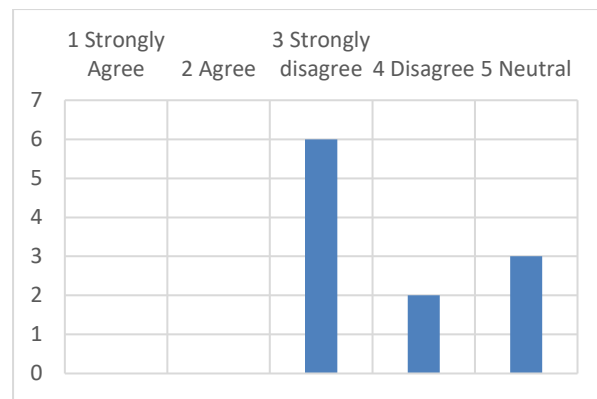


Source: own calculations

5.3.4.2. External expertise is provided to the committee

The majority of the participants claim that external expertise are not considered by the MPAC to be invited or co-opted to assist the committee in the performance of its functions, see table 25. If the MPAC is not inviting the persons who have expertise from external sources, its members will not be able to gain valuable knowledge on the execution of their functions as members of the MPAC. The invitation of the external people with expertise does not mean that these should be people who will be remunerated. They could be the audit committee members, staff from both the National and Provincial Treasury, and staff from the office of the Auditor-General. There are also Non-Governmental Organisations that can be invited who can assist the committee without being remunerated for their assistance.

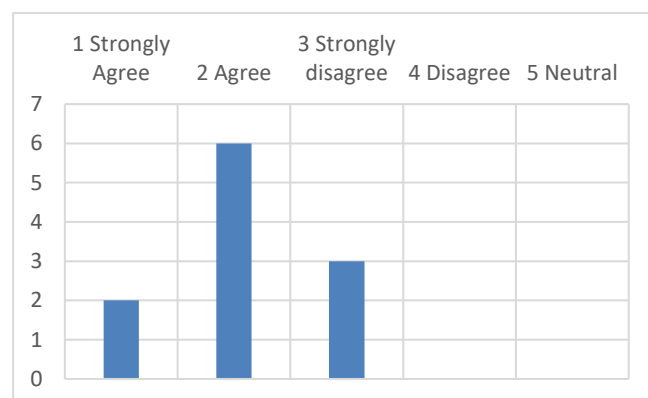
Cooperative Governance and Traditional Affairs and National Treasury (2011:9) state that the meetings of the MPAC may source external expertise by inviting the representations of the local community and/or co-opt members of the public to assist and guide them in the discussions when required.

Table 25: Participants' perception about external expertise is provided to the committee

Source: own calculations

5.3.4.3. Follow up on previous resolutions of the MPAC are made

Most of the participants felt that the MPAC is following up on the previous resolutions that it had taken, see table 26. Failure of the MPAC to follow-up on previous resolutions means that it will lose focus as it will not be able to track what issues were referred to the executive and management for feedback. When examining the audit reports of the municipality the indication is if the MPAC is following up on previous resolutions their efforts are not taken seriously by the executive and management to change the situation by ensuring that irregular, unauthorised, fruitless, and wasteful expenditure are eliminated or avoided by the municipality.

Table 26: Participants' perception whether follow-up on previous resolutions of the MPAC are made

Source: own calculations

The APAC (2013:55) indicates that the MPAC must have a clear procedure on how resolutions and recommendations would be followed up and monitored to check their implementation. The APAC further mentions that there should be “time frames for

reporting the implementation progress as well as the time frames for when the resolutions would be implemented should be specified”. Steps to be taken to ensure the implementation of resolutions:

- Conduct follow-up session or meetings, and
- In the work plan programme there should be meetings to follow-up on the resolutions and their implementation.

5.4. Findings

5.4.1. Oversight reports of the municipality are not available on the municipal website and in the Public Library

The municipality is not making available the oversight report on Annual Report for the public to have access to it, by placing it on the municipal website and the public libraries. After the adoption of the Oversight Report on the Annual Report, the report must be made available within seven days. According to the APAC (2012:30), “the Oversight Report is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by Council”. The report should be made available to the public by placing it on the website of the municipality and in the Public Library. An advert advising the public about the availability of the report must be made.

Failure to make available the Oversight Report on the Annual Report of the municipality to the municipal website is in contravention of the Municipal Finance Management Act No. 56 of 2003 section 129(5) which provides that after the adoption of the report the Municipal Manager must ensure that within seven days after adoption the report is made public in compliance with section 21A of the Municipal Systems Act No. 32 of 2000. Failure of the municipality to make available the report means that the public is being deprived of its right to know how the municipality has or had dealt with the Annual Report. Not making available the Oversight Report to the public through the various modes of communication is in contravention with the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.

5.4.1.1. Executive committee of the municipality not invited to attend the committee meetings

According to the views of the participants only the management is invited to attend the meetings of the MPAC to account. The APAC (2013:22) argues that the responsibilities of the MPAC are aimed to make sure that the Municipal Executive and Administration are held accountable for executing the policies and the budget of the municipality. The implication of the executive not being invited to the meetings of the MPAC is that there will be no monitoring of the information or responses provided to the committee. The executive must be invited to the meetings of the committee to take ownership of the responses provided and for the application of internal controls.

5.4.1.2. No dedicated personnel to provide logistical and secretarial support to the MPAC

The MPAC has no dedicated personnel to support the secretariat and research function of the MPAC. As a result, it was not easy to get all the information required when the study was conducted. Support is only provided when the meetings are in session. The National Treasury (2016:52) suggests that the MPAC should be allocated needed support staff which will enable it to perform its functions effectively and efficiently. The National Treasury further argues that the staff provided to the MPAC should have the capabilities to research and coordinate the activities of the MPAC.

5.4.1.3. Meetings not sitting as per the adopted calendar of the Council and MPAC

The MPAC does not adhere to the adopted Council calendar when holding its meetings.

5.4.1.4. A municipal website not updated regularly as required

Section 75 of the Municipal Finance Management Act, No. 56 of 2003 provides that each municipality must have a website where the important documents of the

municipality have to be placed for accessibility to the public. Subsection 2 further provides that the documents must be placed on the website within five days after the adoption by Council. The Annual Reports available on the municipal website don't contain the Oversight Reports.

Most of the information on the website is outdated. The MPAC should monitor the information made available on the website of the municipality. Currently most people don't use a public library to access documents. They use the internet which is easily accessible and documents downloaded. If the important documents which are used to oversight the executive and management are not made accessible via the municipal website, the committee will not be able to get the comments of the public on the information provided on those documents, e.g. the Annual Report.

5.4.1.5. Training is provided by the South African Local Government Association only during the first three months of the new Council to the members of the MPAC

No training was provided by the Sakhisizwe Municipality since the establishment of the MPAC in year 2011. The only training was provided by South African Local Government Associations. This practice makes the members of the MPAC not to be effective in performing their functions as some of the councillors were newly elected councillors.

5.5. Conclusion

The Sakhisizwe Municipality Public Accounts Committee is functioning but not effectively discharging its functions as required in terms of the Guidelines. When there are matters before the MPAC which need the executive and management to appear before the MPAC, only the management was called leaving out the executive attend the meetings. This approach does not hold the executive accountable for their actions because the management is being monitored by the executive in discharging their

responsibilities. The MPAC is not supported by personnel. As a result meetings are not sitting according to the approved Council calendar.

The meetings of the committee must be held in the presence of the public and public hearings be called to provide the public with a chance to engage the municipality on governance matters. Oversight reports are not made available for the public to examine. Capacity building must be prioritised to ensure that the members of the committee clearly understand what is expected of them in discharging their responsibilities. The training should not only focus on the members of the MPAC but it should also be extended to the management and the support staff of the MPAC.

5.6. The recommendations

To strengthen the effectiveness of the MPAC, the following recommendations are made:

- i. The chairperson of the MPAC must be appointed from the ranks of the minority parties; this practice will ensure accountability and there will be reduced bias.
- ii. The municipality must have its training programme focusing on oversight practice, new regulations and case law, and visit other municipalities with clean audits to learn good practice. Training must be extended to all managers and the entire Council for them to know the importance of oversight, accountability, openness, and transparency. This programme should be conducted twice during the term of the sitting Council (first three months of the new term and during the mid-term of the Council). MPAC members must be trained in the following areas:
 - a. Orientation for new members,
 - b. Guidelines on establishing the Municipal Public Accounts Committees,
 - c. Municipal Finance Management Act No. 56 of 2003, Municipal Systems Act No.32 of 2000, Municipal Regulations and Circulars focusing on compliance issues,
 - d. Interpretation and analysis of Financial Statements, and
 - e. Performance Management System.
- iii. Consider appointing a researcher or coordinator for the MPAC. The secretariat functions should be allocated to the researcher or coordinator. In terms of

reporting the researcher or coordinator must report to the Office of the Municipal Manager.

- iv. The District Municipality must establish the MPAC forum if it does not exist to strengthen the capacity of the MPACs and for sharing of good practices within the District.
- v. Department of Cooperative Governance and Traditional Affairs in the province must monitor the performance of the MPACs. Where there are shortcomings, there must be interventions that are implemented to respond to the challenges.
- vi. South African Local Government Association must establish a working group which deals with the oversight aspects. This working group will be a sharing platform of good practices amongst the chairpersons of the MPACs.
- vii. The Auditor-General must audit the work of the MPAC and self-assessment forms must be developed for MPAC members to assess their performance. The auditing of the performance of the MPAC will ensure that the MPAC performs its functions as required.
- viii. Attendance report of MPAC meetings and meetings of the MPAC must be reported in the Annual Report.
- ix. Terms of references the MPAC must be reviewed annually to allow adding responsibilities if there is a need to do so.
- x. The public must be invited to attend the meetings of the MPAC through advertisements in local radio stations, newspapers, and notice boards where a large number of people usually visit.
- xi. The Oversight Report must be made public as per section 21 of the Municipal Systems Act and section 75 of the Municipal Finance Management Act No. 56 of 2003.
- xii. The Accounting Officer of the municipality must assign the responsibility to monitor compliance of section 21 of the Municipal Systems Act No. 32 of 2000 and section 75 of the Municipal Finance Management Act No. 56 of 2003 to the Strategic Manager. This will ensure that all the information that is supposed to be made available in the public domain is available within the prescribed times, e.g. the Oversight Report has to be made public within seven days after the adoption by Council,
- xiii. Invitations to attend the MPAC meetings must include the executive of the municipality and it should not only focus on the management. This will ensure

that the accountability is exercised even to the political leadership of the municipality.

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Appendices

Permission to conduct the research



Enquiries: Mr B. Mdyosi
Office of the Municipal Manager/.

19 March 2020

Mr. S. Suka
PO Box 512
Elliot
5460

Dear Mr. Suka

REQUEST TO CONDUCT MASTERS' RESEARCH

It is with great pleasure to inform you that permission to your request to conduct masters' research at Sakhisizwe Local Municipality has been granted. You are advised to set an appointment with Mr Dyosi for final preparations.

It is our belief that the results of this research will benefit Sakhisizwe Municipality and hopefully such will be a game changer in how our Municipal Public Account Committee conduct its business.

Yours sincerely



BASIL MASE
ACTING MUNICIPAL MANAGER

QUESTIONNAIRE

EFFECTIVENESS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEES IN FISCAL OVERSIGHT: A CASE STUDY OF SAKHISIZWE MUNICIPALITY					
RESPONDENT INFORMATION					
Sakhisizwe Municipality			Job title: Councillor / Member of MPAC / Manager		
No of years in current position:			No. of years in the Municipality		
Date of completion of the questionnaire					
GENERAL MPAC PERSPECTIVE					
1. Establishment of the Municipal Public Accounts Committee.	1. Strongly disagree	2. Disagree	3. Agree	4. Strongly agree	5. Neutral
1.1. The establishment of the committee complies with the guidelines.					
1.2. Chairperson is from the minority party.					
1.3. Is the Chairperson serving on other Council committees?					
1.4. Committee members are adequately trained.					
1.5. The municipality has adopted the Terms of Reference for the committee.					
1.6. Terms of Reference are incorporated in the Delegations Framework.					
1.7. The Terms of Reference are reviewed annually.					
Comments:					

FUNCTIONALITY OF THE COMMITTEE					
2. In your opinion is the committee functional?	1. Strongly disagree	2. Disagree	3. Agree	4. Strongly agree	5. Neutral
2.1. The annual work plan was adopted.					
2.2. The committee sits according to the work plan.					
2.3. The committee sits every quarter.					
2.4. The committee reports to the Council on its activities.					
2.5. The committee has a working relationship with the Internal Audit Unit.					
2.6. The committee has a good working relationship with the Audit Committee.					
2.7. The committee conducts investigation in the area of responsibility. If so, please provide an example.					
2.8. The committee recommends investigations to the Council. If so, please provide an example.					
2.9. The committee performs other functions assigned by the Council through a resolution.					
2.10. The Mayor, Exco Members, and Management were invited to attend the committee meetings.					
2.11. Committee meetings open to the public.					
2.12. External expertise is provided to the committee. If so, please provide an example					
2.13. The committee follows up on previous resolutions and recommendations.					

If the committee is not sitting regularly what do you think are the causes?	
Comments:	

TYPES OF REPORTS THE COMMITTEE EXAMINING					
3. In your opinion does the MPAC has access to the reports as listed below?	1. Strongly disagree	2. Disagree	3. Agree	4. Strongly agree	5. Neutral
3.1. In year reports. (Sec 71, Sec 52(d), quarterly reports and adjustment budget)					
3.2. Mid-term Report					
3.3. Internal Audit Reports.					
3.4. Auditor-General's Report.					
3.5. Recommendations from the Audit Committee.					
3.6. Compliance information as per MFMA sec 128 and 133.					
3.7. Information disciplinary action is taken.					
3.8. Performance management report.					
3.9. Annual Report.					
3.10. Financial misconduct reports.					
3.11. Audit Committee reports.					
On which evidence have you based this conclusion?					
Comments:					

AUDIT OUTCOME					
4. Committee provides assurance.	1. Strongly disagree	2. Disagree	3. Agree	4. Strongly agree	5. Neutral
4.1. Unauthorised expenditure decreased.					
4.2. Irregular expenditure decreased.					
4.3. Fruitless and wasteful expenditure decreased.					
4.4. Consequence management was applied where the above expenditure had occurred after the investigation has been done.					
Comments:					

REVIEWING OF THE ANNUAL REPORT					
5. Opinion on the review of the Annual Report.	1. Strongly disagree	2. Disagree	3. Agree	4. Strongly agree	5. Neutral
5.1. The annual report is tabled in Council as per the specified time frames.					
5.2. A notice advertised to invite the public to comment on the Annual Report.					
5.3. The Annual Report is accessible to the public.					
5.4. The committee holding briefings on audit outcomes with Auditor-General.					
5.5. Preliminary questions were sent to the Accounting Officer and time frames for responses.					

5.6. The Mayor, Exco Members, Accounting Officer, and Head of Departments invited to the committee to account.					
5.7. Public hearings are held on Annual Report reviewal.					
5.7.1. Comments of the public on Annual Report taken into account.					
5.8. An Oversight report on Annual Report is adopted by the committee.					
5.9. An Oversight Report on Annual Report tabled to the Council.					
5.10. The Oversight Report was made public on the stipulated time frames.					
5.11. The Annual Report and Oversight Report are submitted to COGTA, Provincial Legislature, and National Treasury.					
In the past three years what was the overall performance of the committee?					
What do you think are the strengths and weaknesses of the MPAC?					
What needs to be done to improve the performance of the MPAC?					
What sort of training MPAC members received?					
Does the committee receive any secretariat support g? E.g. Setting up meeting logistics, Minute taking					
THANK YOU FOR AVAILING YOUR TIME TO ANSWER THE QUESTIONNAIRE AND SHARING VALUABLE INSIGHTS.					